

Unlocking Sustainable Investments at Scale towards Adaptation (USISA)

Partnership with Nordic Development Fund

Key results:

With the overall aim of mobilising private capital for increased resilience of emerging markets and development economies to climate impacts, the partnership with Nordic Development Fund will de-risk investments and demonstrate commercial viability in the adaptation space; and, incentivise fund managers to deploy their expertise to address the financing needs associated with climate adaptation, thereby growing the universe of investment vehicles private sector investors can use to invest towards climate adaptation. This will be done by:

1. Providing catalytic financing for climate adaptation projects with the aim of mobilising additional climate finance. This will be obtained by allocating blended finance to unlock private sector capital for sustainable green investment in climate adaptation, primarily in Sub-Saharan Africa
2. Allocating concessional finance to experienced fund managers selected through the Investment Collaboration Alliance's second adaptation for Africa window will grow the universe of investment vehicles private sector investors can use to invest in climate adaptation.

Justification for support:

Mobilisation of private capital for climate has increased rapidly over the last decade but most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind. Developing and adopting, both internationally and nationally, legitimate definitions of adaptation and resilience by establishing an agreed taxonomy, providing data and analysis and demonstrating the potential for mobilisation of private capital for climate bonds in a pilot country constitute important contributions to furthering overall mobilisation of private capital for climate adaptation and resilience.

Major risks and challenges:

1. Appetite of Fund Managers: designing the investment strategy in a manner that allows for opportunity, relevance and raises awareness amongst qualified fund managers.
2. Clear Process and collaboration with other donors: through IMCA there is clear process and coordination amongst donors on the adaptation for Africa window. However, there is a need to ensure continued collaboration and harvesting of synergies from related funding streams to NDF and climate adaptation.

File No.	25/11008				
Country	Global				
Responsible Unit	KLIMA				
Sector	24030 Formal sector financial intermediaries/Climate adaptation				
Partner	Nordic Development Fund				
DKK million	2025	2026	2027	2028	Total
Commitment	150.0				150.0
Projected disbursement	50.0	50.0	50.0		150.0
Duration	December 2025 – June 2028				
Previous grants	NA				
Finance Act code	06.34.01.75				
Head of unit	Anne Hougaard Jensen				
Desk officer	Jesper Hilsted Andersen				
Reviewed by CFO	Karen Marie Hansen				

Relevant SDGs [Maximum 1 – highlight with grey]

 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	

Objective

The overall objective of the USISA programme is to increase resilience of emerging markets and development economies (EMDEs) to the projected climate change. The partnership with NDF will contribute to this by providing catalytic financing for climate adaptation projects with the aim of mobilising additional climate finance.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100%			
Total green budget (DKK)	150,000,000			

Justification for choice of partner:

NDF's long experience of funding projects in Sub-Saharan Africa aligns with USISA's geographic priorities. The fund has established networks and relationships with local stakeholders, financial institutions, and project developers across the region, enabling more effective deployment of capital and better assessment of local adaptation needs. As a Nordic institution, NDF shares values and development priorities with the Danish MFA ensuring that funds will be managed according to Danish policies.

Summary:

This partnership with Nordic Development fund aims at responding to the urgent need for climate adaptation financing in developing countries, primarily Sub-Saharan Africa, that are disproportionately affected by climate change. It applies an investment strategy leveraging concessional finance as a catalytic mechanism to unlock private sector capital towards climate adaptation. The partnership incentivises experienced fund managers to deploy their expertise to address the financing needs associated with climate adaptation. The selection of Fund Managers will be coordinated through the Investment Collaboration Alliance, ensuring synergies with other Nordic Donors.

Budget (engagement as defined in FMI):

Partnership with Nordic Development Fund	DKK 149 million
MFA mid-term evaluation	DKK 0.5 million
MFA impact study	DKK 0.5 million
Total	DKK 150 million

Unlocking Sustainable Investments at Scale towards Adaptation (USISA)

Partnership with Nordic Development Fund (NDF)

Concept Note

June 2025

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List of Abbreviations

AfDB	African Development Bank
BEFT	Blended Finance for Energy Transition
COP	Conference of Parties
DAC	Development Assistance Committee
DFI	Direct Foreign Investment
DKK	Danish Krone
FRR	Final Results Report
GGA	Global Goal on Adaptation
GVCA	Greening Value Chains in Africa
IMCA	Investment Mobilization Collaboration Arrangement
LDC	Least Developed Country
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs
NDC	Nationally Determined Contributions
NDF	Nordic Development Fund
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PSI	Private Sector Instruments
RM	Rio Markers
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars
USISA	Unlocking Sustainable Investments at Scale towards Adaptation

1. Introduction

The present draft Concept Note outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning *Unlocking Sustainable Investments at Scale towards Adaptation (USISA)*, 2025 – 2029, as agreed between the parties: The Nordic Development Fund (NDF) and KLIMA, Ministry of Foreign Affairs of Denmark. The project document is an annex to the legal agreement with the partner and constitutes an integral part hereof together with the documentation specified below. This partnership constitutes one of two projects under the USISA programme, the other being the partnership with Climate Bonds Initiative (CBI).

Mobilisation of private capital for climate has increased rapidly over the last decade. Most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind. These two projects under the USISA programme both aim at mobilising private finance for climate adaptation through two innovative mechanisms, thereby contributing to the overall learning within the field of innovative climate finance and serving as an example for others.

The Danish Ministry of Foreign Affairs (MFA) will in the context of IMCA's Adaptation Finance Window Africa allocate DKK 150 million in development assistance to one or more pooled investment vehicles to mobilise commercial capital for sustainable green investments in adaptation, primarily in Sub-Saharan Africa. This is in response to the urgent need for climate adaptation financing in developing countries that are disproportionately affected by climate change despite contributing minimally to global emissions.

The investment strategy leverages blended finance as a catalytic mechanism to unlock private sector capital that would otherwise perceive adaptation investments in Africa as too risky. By providing concessional financing through a grant to an established implementation partner, the MFA through the partnership with NDF aims to:

- i) de-risk investments and demonstrate commercial viability in the adaptation space.
- ii) incentivise experienced fund managers to deploy their expertise to address the financing needs associated with adaptation, thereby growing the universe of investment vehicles private sector investors can use to invest towards climate adaptation.

2. Context, strategic considerations, rationale and justification

2.1 Global challenges

Developing countries face severe **climate adaptation challenges** across all sectors. Fragile infrastructure is ill-prepared for climate extremes: floods and heatwaves already damage roads, energy and water systems – especially in rapidly growing cities with informal settlements. Climate change is already harming health, tens of millions of Africans face extreme heat stress and weather disasters, and rising temperatures are expanding infectious diseases like malaria, putting many more people at risk. Climate change is reshaping agriculture and undermining the income and livelihood of not at least people in Sub-Saharan Africa and low-income countries, where the agriculture sector is the most important

source of revenue. The key challenge now is turning this disruption into an opportunity to strengthen rural and urban livelihoods. This requires smarter, better-funded approaches to adaptation and resilience. Rethinking how we plan and invest in both rural and urban development is essential to building resilient systems that support better incomes and healthier lives.

The **investment needs for climate action** are estimated to be in the order of USD 2.3–2.5 trillion in EMDEs other than China. Of these projected investments that are necessary for delivering on the Paris targets for the EMDEs, around USD 1.6 trillion is for the clean energy transition, USD 0.25 trillion for adaptation and resilience, USD 0.25 trillion for loss and damage, USD 0.3 trillion for natural capital and sustainable agriculture, and USD 0.04 trillion for fostering a just transition.¹ These numbers do not necessarily reflect the financing gaps and needs that might arise due to the varying level of climate action implementation, the effects of not meeting sustainable development goals and the additional costs that stem from climate change related losses and damages. The scale and size of financing needed to achieve the necessary transformation and adaptive capacity of countries requires that the largest part of adaptation finance needs to come from private sources. Between 2019-2020 private climate finance accounted for approximately 13% of climate finance in Africa whereas 87% came from public sources (CPI, 2022), and climate adaptation in Africa is almost exclusively financed through public sources (OECD, 2024). Joint investment platforms between public financial institutions and private investors are considered key to incentivise more private capital and to maximise the impact of limited public funds (CIC, 2023).

Reported finance flows related to climate resilience (i.e. adaptation finance) were only USD 46 billion per year, out of total reported climate finance flows of USD 632 billion per year (CPI, 2021). Almost all adaptation finance comes from the international public sector, including development finance institutions, while less than USD 1 billion comes from private finance sources. The Secretary-General of the United Nations has been calling all nations and development finance institutions to urgently raise adaptation finance to 50% of total climate finance. Denmark has committed to allocating 60% of its climate finance to adaptation. The African Development Bank (AfDB), for example, dedicated 68% of their climate finance to adaptation in 2020 in order to support Africa, the most vulnerable continent, to become more resilient to climate shocks. Meeting the financing needs of this scale through official development assistance flows, or even through government expenditures more broadly, will be extremely difficult, especially given the fiscal pressures that many governments are currently under, particularly in the developing world. Therefore, improving access to capital markets for meeting these financing needs must be prioritised.

Multilateral and national policy processes

The finance gap towards climate adaptation is also addressed through the UN climate negotiations where country governments are committed to a collective Global Goal on Adaptation (GGA) defined in the Paris Agreement. At COP29, agreement on the New Collective Quantified Goal on Climate Finance did not include a subgoal on adaptation finance. Towards COP 30, 2025, it is expected that countries will discuss and agree on indicators on how to measure progress at the global and national levels towards the Global Goal on Adaptation. This will include discussions on the means of implementation, including

finance, technology and capacity building, and on how enabling factors can help unlock adaptation finance from both public and private sectors.

On the national level the National Adaptation Plans (NAPs) outline a given country's adaptation needs and priorities and would ideally also identify the investment and financing needs in national investment plans. Not all countries have developed NAPs or collated adaptation financing needs into a single document/investment plan. An increasing number of countries are including adaptation priorities in their nationally determined contributions (NDCs) or in other sectoral action plans and strategies. 63 developing countries and 10 developed countries have to date submitted National Adaptation Plans (NAPs) whereas, approximately 75% of countries that have submitted NDCs have included adaptation actions in these. In the global climate negotiations, there is a growing focus on how to make NAPs implementable and investable in order to accelerate adaptation action at country level.

Mobilising climate finance through blended instruments and investments

The blended finance market has increased in size over the past ten years and blended finance has proven potential to mobilise capital from the private sector. Between 2021 and 2023, the total value of blended finance transaction for adaptation project accounted for 33% (Convergence, 2024).

The figure below shows the overall blended finance market as reported and analysed by Convergence (2024).



Whereas there has been an overall steep increase of blended climate finance there are still critical gaps in particular in relation to adaptation finance and climate resilience projects. As the graph below depicts the

amount of blended climate finance solely for climate adaptation is very limited, with mitigation projects receiving the largest share.

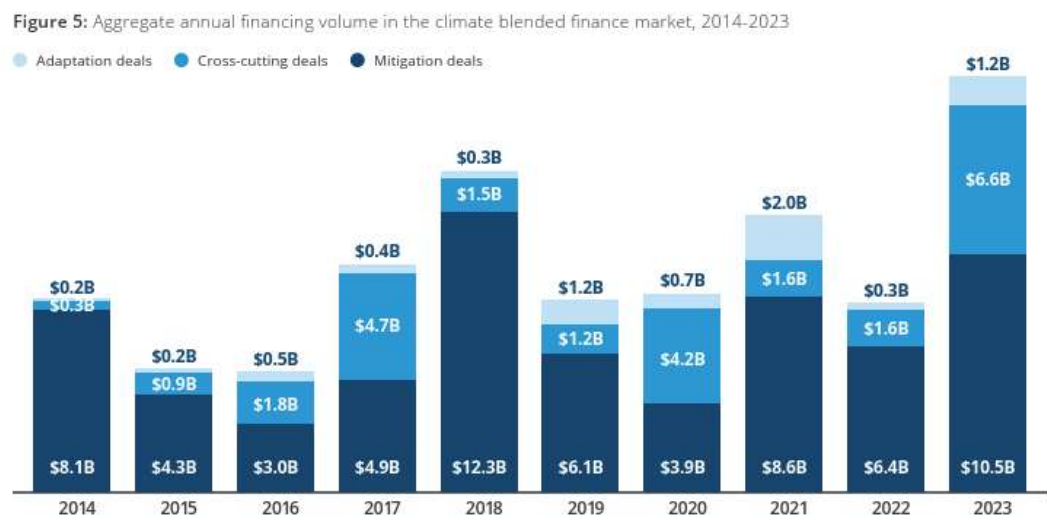


Figure 2: Aggregate annual financing volume in the climate blended finance market 2014-2023 (Source: Convergence, 2024)

Looking at the geographical distribution of the climate blended finance market there is a heavy concentration of fund transactions in a few developing countries led by India, Nigeria and Kenya. Other African countries that have received blended climate finance includes Ghana, Tanzania and Uganda. Low-income countries thus only accounted for 23% of transactions. Of the deals that were received by Sub-Saharan African countries between 2021 and 2023, 14% were allocated to adaptation projects, 30% were a mix and 56% were allocated to mitigation projects. This reinforces the assessment that while blended climate finance is a useful tool for mobilising private capital, climate adaptation projects lack behind as they are often perceived as riskier and with a less obvious commercial viability.

There is consequently an observably narrower offering of investment products designed to finance climate adaptation projects.

Approximately 25% of Danish climate finance stems from private sources – primarily from Danish pension funds. In 2022, DKK 4,480 million was raised through multilateral development banks and private finance; and DKK 1,923 million through IFU (2024, Danish Energy Agency).

2.2 Presentation of NDF

NDF is the joint Nordic international finance institution focusing on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF was established in 1988 by Denmark, Finland, Iceland, Norway and Sweden, and the climate mandate was introduced in 2009. NDF provides financing on concessionary terms in the form of grants, loans, and equity. It engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project. At the end of 2024 NDF has accumulated a project portfolio of 144 projects with a total NDF financing of EUR 627 million building a track record of

financing climate mitigation and adaptation projects. NDF's current strategy was adopted in 2020 lasting until the end of 2025. A new strategy is currently being developed – the expectation is that the current focus on climate change and development will continue.

NDF's overall purpose is to advance Nordic leadership in addressing climate change and development challenges through financing, knowledge and partnerships. Together with strategic partners, NDF develops, launches and scales high-impact projects that support developing countries and the most vulnerable people affected by climate change.

NDF works holistically with primarily SDG 13, prioritising projects that focus on adaptation and resilience, and recognises the linkages to other SDGs focusing on inclusive development and gender responsiveness in line with Nordic priorities. It aims to be at the forefront of developing adaptation finance led by the private sector and adds value through its long-standing engagement, network, institutional knowledge and capacity as a co-financier and trusted partner for high-quality projects that are developed based on principles of Complementarity, Co-creation and Convening.

As of 2024, NDF's portfolio totals EUR 627 million of which 63% is directed towards climate adaptation projects, in accordance with the OECD Rio Markers for Climate. NDF has a portfolio target of allocating at least 60% of its investments to Sub-Saharan Africa. Currently, 54% of the portfolio is directed to the region.

Based on the prevailing 5-year Strategy adopted in 2020, NDF has an objective to provide at least 50% of its financing through grants and remaining through other financing instruments. NDF's concessional mandate enables it to provide the risk-absorbing capital necessary for adaptation investments and catalyse private sector participation in adaptation finance, unlike many bilateral development finance institutions (DFIs) and/or private sector windows of multilateral development banks (MDBs) that operate under commercial or near-commercial terms.

In 2024, 49% of financing in the active portfolio was provided through grants, 35% through equity, 8% through loans and 8% through recoverable grants.¹ As a concessional investor NDF focuses on early, often risky stages of investments. Particularly in private sector operations, NDF adds value to investments by mobilising co-financing from investors with higher return expectations including commercial investors. Mobilised private capital can flow towards both private and public sector projects.

The 39 active projects in 2024 delivered within three overall results areas:

1. Resilient cities and human settlements
2. Natural capital and water-energy-food nexus
3. Access to and production of clean energy

Organisational structure and governance

NDF's total capital amounts to EUR 1,371 million, following four capital increases since the initial injection in 1989. The latest increase, of EUR 350 million, was made in 2020. In 2024 NDF approved

projects with a total volume of EUR 70 million. NDF is owned by the five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) who all have representatives at NDF's Board of Directors which makes strategic and policy decisions and approves the financing of projects, annual budgets and financial statements. NDF's office are in Helsinki, Finland where 32 staff work.



2.3 NDF's experience and results within climate financing

NDF's current Results Management Framework was developed and agreed upon in 2021 and has since guided decision-making. By 2023, NDF has achieved the following results:

- Supporting over 85,000 jobs – 40% for women
 - Catalysing EUR 1.4 billion additional climate finance
 - Improving conservation efforts with 6 million ha of Marine Protected Areas
 - Enable access to clean energy for 57 million people, 50% women
 - Contributed to 7.5 million tons of CO₂e reduced or avoided.
- (Source: NDF Results Report 2023)

Adaptation Focus and Expertise & Geographical Alignment

With a dedicated climate mandate, NDF has developed specialised knowledge in identifying, structuring, and monitoring adaptation investments. This contrasts with most DFIs and MDBs that have to date predominantly focused on mitigation projects that offer clearer revenue models. NDF's practical experience in adaptation finance is essential for USISA's goal of mobilising commercial capital toward adaptation projects.

NDF's long experience of funding projects in Sub-Saharan Africa aligns with USISA's geographic priorities. The fund has established networks and relationships with local stakeholders, financial institutions, and project developers across the region, enabling more effective deployment of capital and better assessment of local adaptation needs.

Nordic Ownership and Governance

As a Nordic institution, NDF shares common values and development priorities with the Danish MFA, including transparency, gender equality, and environmental sustainability. This alignment ensures that USISA funds will be managed according to principles consistent with Danish development policy. The shared Nordic ownership also facilitates coordination and potential co-financing with other Nordic countries within IMCA.

Right-Sized Institution with Agility

Compared to larger institutions within the development finance system, NDF stands to provide high levels of agility and responsiveness. While the former may provide substantial resources, their size and complexity can lead to lengthy approval processes and less flexibility in fund structure innovation. NDF combines institutional credibility with the ability to move quickly and adaptively with innovative financial instruments tailored to adaptation challenges.

As part of its ongoing strategy revision process an external performance evaluation is being conducted summarising lessons learned and providing input for the development of the strategy beyond 2025. The results of the evaluation will be available in June/July 2025.

2.4 Alignment with Danish policy priorities

The partnership with NDF delivers a key element of Denmark's development strategy, *The World We Share*, and Denmark's international climate commitments by addressing the gap of climate adaptation finance and by mobilising private climate finance focused on climate adaptation. The partnership further aligns with NDF's objective of supporting climate adaptation in partner countries and in particular addressing climate impacts that disadvantage the most vulnerable populations, especially women and girls. NDF will measure impact using the GCF indicators for climate adaptation finance and will provide gender disaggregated targets and results on output level to measure gender specific results. Earmarking the project to climate adaptation finance contributes to closing a significant gap in adaptation finance from private investors.

2.5 The IMCA context and Adaptation for Africa Window

The Investment Mobilisation Collaboration Alliance (IMCA) was established at the 28th meeting of the United Nations Framework Convention on Climate Change (COP28) as a collaboration between developed country donors on blended finance solutions. The IMCA Secretariat is hosted in Copenhagen, Denmark by the World Climate Foundation. The main objective of IMCA is to raise catalytic public financing from institutional and private investors towards climate investments in emerging and developing economies. To date the IMCA members have initiated three multi-donor collaborations on blended finance through IMCA coordinated call for proposals focusing on three different themes:

1) Blended Finance for Energy Transition (BEFT) with contributions from Denmark and the USA (each contributing USD 15 million in equity);

2) 1st Adaption Finance window Denmark, Sweden (each contributing USD 50 million in guarantees) and USA (USD 5 million in grants); and,

3) Greening Value Chains in Africa (GVCA), Denmark, Sweden and Norway (USD 60 million in guarantees) and USA (up to USD 9 million in equity/grants).

The fourth finance window – Adaptation for Africa, will build on the lessons learned and experiences from the first three windows. A technical working group with representatives from interested donor countries has been established, including representation from the DMFA and NDF. This fourth window aims at leveraging USD 50-100 million public capital for adaptation to mobilise several hundred million of USD in private finance towards ODA eligible countries. Thematically the IMCA window will focus on climate change adaptation broadly and may include perspectives of extreme heat, coastal resilience and climate migration in the context of climate change adaptation. The NDF managed grant will focus on climate adaptation broadly. The process of sourcing projects will be managed by the IMCA Secretariat through a market sounding process guided by the technical working group for the window and facilitated by external consultants. The DMFA USISA project with NDF as fund manager is a first contribution towards the window. Catalytic capital from other IMCA partners is foreseen e.g. as grants, TA, concessional loans, guarantees or concessional equity. Currently the Government of Iceland and Norway have indicated interest as well as there are ongoing efforts to complement a climate adaptation focused financing initiative by the Swedish Development Cooperation Agency (Sida), see below. The Adaptation for Africa window will be launched during COP30. Shortlisting and due diligence of project concepts will be conducted during January – May 2026 and selected partner agreements, will be announced from June 2026. The selection and investment criteria for the IMCA adaptation window will be informed by the present Investment Strategy (see section 4.2).

Sida, in collaboration with NDF, is in the process of developing a climate-focus global challenge fund to support innovations that combine environmental sustainability with climate adaptation and mitigation, that contribute to biodiversity protection and improve gender equality and livelihoods for people living in poverty. The five Nordic governments are engaged in the co-creation of the new challenge fund. The challenge fund will provide support to early-stage companies and there is a potential complementarity with the new IMCA adaptation window, targeting later stage support through private sector fund structures. The challenge fund will be launched at COP30 and there is potential for a coordinated communication with IMCA, to showcase how the two initiatives complement each other by providing support across different stages of company growth, to strengthen broader market development for climate adaptation solutions.

3. Project Objective

The overall aim of NDF is to increase the resilience of vulnerable communities and the adaptive capacity of countries in Sub Saharan Africa to climate related hazards, disasters and extreme weather events. The overall aim of the USISA programme is to increase resilience of emerging markets and development economies (EMDEs) to the projected climate change. The partnership with NDF will contribute to this by providing catalytic financing for climate adaptation projects with the aim of mobilising additional climate finance.

4. Theory of change and strategy

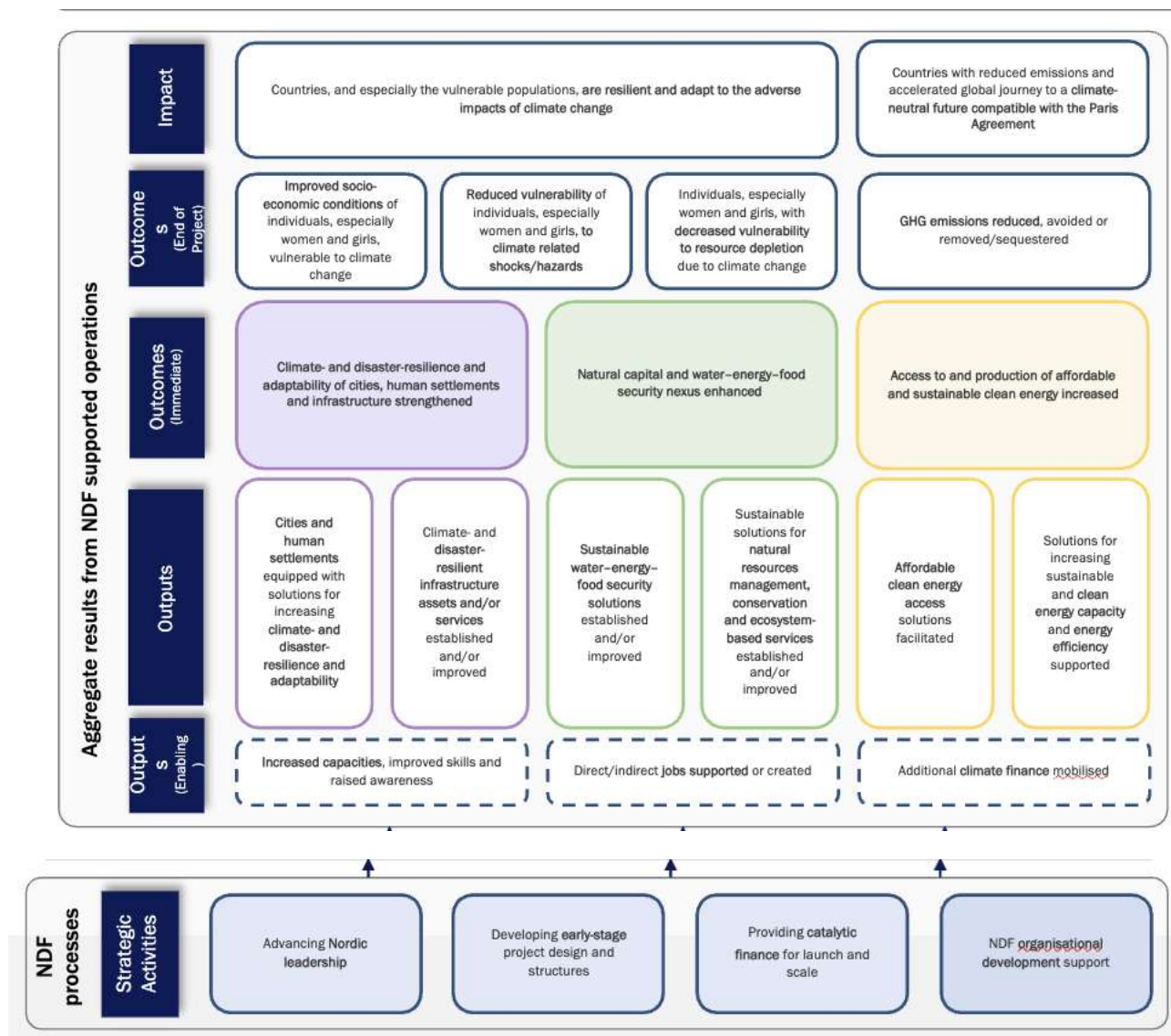
4.1 Theory of change

The below figure provides an overview of NDF's theory of change and strategic activities that support the achievement of the overall impact areas. NDF's strategic activities facilitate the enabling outputs that contribute to i) people with increased capacities; ii) jobs supported or created and; iii) additional climate finance mobilised. The outputs will feed into the intermediate outcomes under three **result areas**: 1) climate- and disaster-resilience and adaptability of cities, human settlements and infrastructure strengthened; 2) natural capital and water-energy-food security nexus enhanced; 3) access to and production of affordable and sustainable clean energy increased. The DMFA financed project will address result areas 1) and 2) specifically, whereas result area 3) is less relevant in a climate adaptation context. The outcomes feed into **End of Project outcomes** focused on the end situation for individuals including: improved socio-economic conditions of individuals, especially women and girls, vulnerable to climate change; reduced vulnerability of individuals, especially women and girls, to climate related shocks/ hazards; and, individuals, especially women and girls, with decreased vulnerability to resource depletion due to climate change. The end of project outcomes will in turn contribute to the long-term **Impacts** of Countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts to climate change, and Countries with reduced emissions and an accelerated local journey to a climate-neutral future compatible with the Paris Agreement.

To achieve the **immediate outcomes** within the three result areas NDF assumes that the financed solutions, approaches, measures and technologies are used by the end-beneficiary target groups and pilots/catalytic initiatives are scaled up by these beneficiaries. This will lead to partnerships that are used to leverage climate finance increasing the likelihood of impact and effective partnerships are continued and expanded to achieve targeted results. At the end of the project, it is assumed that there is sustained political support for climate action at both national regional levels, that there has been a limited impact of external extreme event. Efficient and effective development stakeholder coordination and balanced resource and support allocation will drive the achievement of the end of project outcomes.

The final impact of NDF's operations assume the continued international commitment towards the Paris agreement and agenda 2030, evidence-based and science-supported decision making and political stability in targeted countries. Finally, if developed economies adhere to commitments to provide adequate support including climate finance, then countries are resilient to and adapt to the adverse impacts of climate change and are set on a path to achieve a climate-neutral future aligned with the Paris Agreement.

Figure 1: NDF Theory of Change



The selection of NDF as the fund manager for USISA represents a strategic choice that maximises the potential impact of Danish development assistance. NDF's intervention logic and theory of change aligns and supports MFA priorities, including strategic priorities described in the New Africa Strategy. NDF's concessional mandate, experience in adaptation finance, focus on Sub-Saharan Africa, Nordic values and institutional agility, make it uniquely positioned to channel capital effectively toward adaptation investments in Sub-Saharan Africa. NDF is uniquely positioned to address the financing gap for adaptation projects by using blended finance approaches to demonstrate viability and gradually attract private sector capital to this critical but underfunded climate action area.

4.2 Investment Strategy

The Danish Ministry of Foreign Affairs (MFA) will in the context of IMCA's USISA window allocate DKK 150 million in development assistance to one or more pooled investment vehicles to mobilise commercial capital for sustainable green investments in adaptation, primarily in Sub-Saharan Africa. This

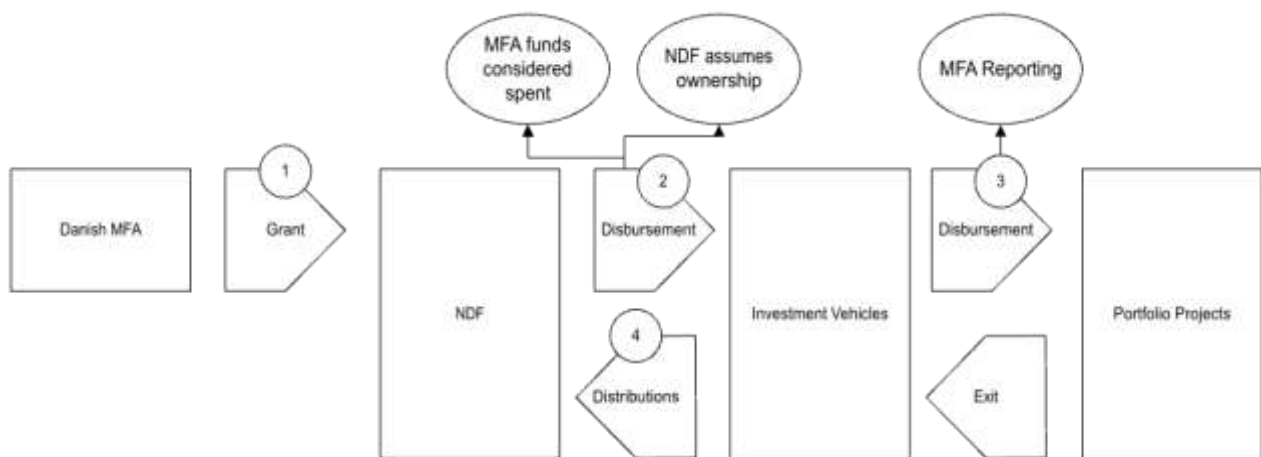
is in response to the urgent need for climate adaptation financing in developing countries that are disproportionately affected by climate change despite contributing minimally to global emissions.

The investment strategy leverages blended finance as a catalytic mechanism to unlock private sector capital that would otherwise perceive adaptation investments in Africa as too risky. By providing concessional financing through a grant to an established implementation partner, the MFA through USISA aims to:

- improve the risk-return ratio on investments and demonstrate commercial viability in the adaptation space thereby mobilising private capital that would not otherwise be invested in adaptation in Africa
- incentivise experienced fund managers to deploy their expertise to address the financing needs associated with adaptation, thereby growing the universe of investment vehicles private sector investors can use to invest towards climate adaptation.

The MFA funds will be deployed through NDF as the fund manager for the USISA window. It is proposed that the grant agreement between the MFA and NDF will build upon precedents for the management by NDF of challenge funds.

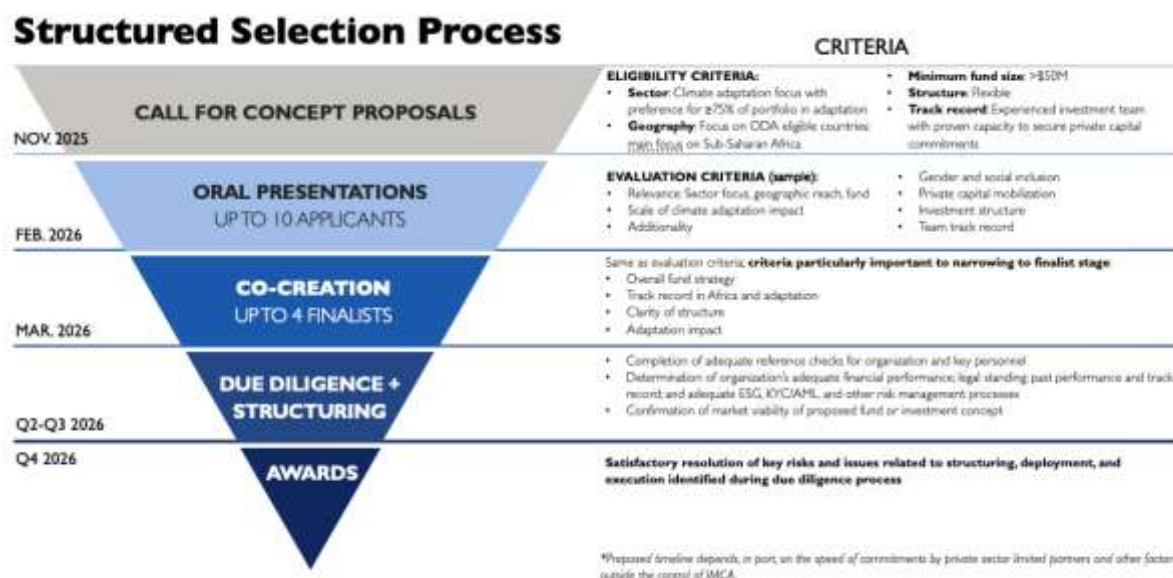
This approach leverages NDF's expertise while giving it the flexibility to manage the investments according to its established processes, which should increase operational efficiency. It effectively combines the benefits of Danish development funding with NDF's implementation capabilities while establishing a clear framework and targets for the intended fund flows, fund management, ownership, and redeployment of returns. Figure 2 below depicts the foreseen flow of funds.



4.3 Main trust fund characteristics and investment criteria

The number and size of individual investments will be a function of a number of factors including the range and attractiveness of proposals sourced through the IMCA adaptation for Africa window's origination process, the total investment vehicle's size, the derisking required of the proposed

concessional tranche will be determined by NDF in line with its grant agreement with the MFA. The illustration below depicts the process steps applied under the previous IMCA Adaptation window. These steps will inform the process for identifying investment vehicles under the second IMCA Adaptation for Africa window.



The investment strategy will be transcribed into a set of selection criteria that in turn will form the basis for sourcing process managed by the IMCA secretariat. These criteria are split between Eligibility Criteria that must be met by proposals to be considered for an investment and Evaluation Criteria that will guide the selection process. The final Evaluation Criteria will be informed by the IMCA Adaptation for Africa window process.

The USISA investment strategy is ambitious by design, and the investment vehicles it will support will endeavour to deploy at least 75% of their assets in sub-Saharan Africa, with no more than 25% deployed in UMICs.

As a target at least 75% of the funds should be demonstrably deployed towards investments defined as principally adaptation (RM2) according to the OECD Development Assistance Committee's (DAC) Rio Markers while a maximum of 25% should target investments defined as principally mitigation.

These objectives notwithstanding, the IMCA adaptation window does allow for the level of flexibility required to foster innovation and attract proposals from the widest possible universe of qualified asset managers. The USISA seeks proposals that have a clear rationale for the NDF contribution and a clear elaboration of the additionality that the catalytic finance will have. The additionality of IMCA's capital commitments should be in line with the OECD DAC PSI definition. Criteria for assessing additionality (such as investing in new sectors, geographies and/or new/underserved markets) will be discussed and agreed upon as part of the IMCA selection process.

Learnings yielded by the previous IMCA adaptation window evidenced the need to build up the provision of equity capital to the adaptation space. This is particularly relevant to the African context. It is therefore

envisaged that the MFA's funds support the deployment of equity capital by the selected investment vehicles. This implies that the junior tranche of a debt structure can be structured as equity.

To allow frontline investors to retain the ability to channel the necessary adaptation financing to the opportunities they identify, the investment vehicles can deploy capital in the form of equity, debt or hybrid offerings. This aligns with the principle of accompanying the capital markets in their growth rather than directing them. It is further envisaged that some of the MFA funds may be deployed as technical assistance funding.

Similarly, whilst it is assessed that most proposed investment vehicles will be structured as close-ended fund structures, e.g. limited partnerships in line with the standard development finance approach to private markets, other structures can be considered if warranted by the proposed strategy. These may for example include open ended funds, special purpose vehicles and permanent capital vehicles.

There must exist a credible exit strategy for the MFA's funds, in line with the proposed strategy but under no circumstances at a date later than 15 years from the launch of the vehicle.

In recognition of the early-stage nature of the ecosystem for adaptation focused investment vehicles in the target geography, the investment strategy does welcome proposals from sponsors launching a first adaptation product. Whilst first-time teams and first-time fund managers are eligible, the private capital mobilisation objectives inherent to IMCA mean that close attention will be paid to the relevant track record of key investment personnel.

The concessional tranche supported by IMCA's USISA will be calibrated based on the investment vehicle's focus on different country income categories. Investment vehicles demonstrating higher commitment to the least developed countries (LDCs) will be eligible for a larger concessional tranche, whilst those with a higher proposed allocation to more developed economies will receive proportionally smaller concessional support.

This sliding scale approach ensures that concessional capital is deployed where market barriers are highest and commercial investment most difficult to attract, aligning development assistance with country needs whilst maintaining commercial discipline. The concessional tranche will under no circumstances exceed 40% of the total investment vehicle size and will seek to adhere to the principle of minimum concessionality.

Whilst USISA targets a private capital mobilisation ratio of 2:1 to 3:1, this expectation will be adjusted as a function of the individual investment vehicle's focus on countries according to their income bracket classification by the OECD DAC's list of eligible ODA recipients.

The USISA investment strategy represents a strategic approach by the Danish MFA to address the significant adaptation financing gap in Africa. By using blended finance to catalyse private investment, USISA contributes to Denmark's broader development and climate priorities while creating sustainable pathways for increased private sector engagement in adaptation finance.

A breakdown of the eligibility and evaluation criteria is available in Annex 10.

5. Results framework

Progress will be measured by using NDF's internal monitoring framework focusing on the outputs and outcomes of the results framework and their associated indicators. All financed projects will be aligned with NDF's three Results areas, as outlined in the ToC, and relevant outputs, indicators, baseline and targets for reporting will be defined and agreed with the selected fund managers and investment vehicles based on the scope of their investment strategies.

Programme	Unlocking sustainable investments at scale towards adaptation
Programme Objective	Increase resilience of EMDEs to projected climate impacts
Impact Indicator	Volume of climate finance disbursed for climate adaptation projects in Sub-Saharan Africa mobilising additional climate finance.

Project title	NDF: Blended Climate Finance for Adaptation		
Outcome	Additional climate adaptation finance in Sub-Saharan Africa achieves long-term impacts of countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts to climate change, and Countries with reduced emissions and an accelerated local journey to a climate-neutral future compatible with the Paris Agreement. Specifically, climate adaptation finance will contribute to:		
	1) improved socio-economic conditions of individuals vulnerable to climate change; 2) reduced vulnerability of individuals to climate related shocks/hazards; 3) individuals with decreased vulnerability to resource depletion due to climate change; 4) GHG emissions reduced, avoided or removed.		
Outcome indicator	1) % of projects with at least 80% of end beneficiaries, especially the vulnerable with improved well-being; 2) % of projects with at least 80% of end beneficiaries with reduced vulnerability to climate related shocks / hazards 3) % of projects with at least 80% of end beneficiaries, with decreased vulnerability to natural resources depletion 4) Tons of carbon dioxide equivalent emissions reduced, avoided or removed/sequestered (tCO ₂ eq)		
Baseline	2025		0
Final target	2028		DKK 149 million have been disbursed to selected investment vehicles achieving targets under at least any of the indicators 1 – 3 above, potentially also contributing to indicator 4.

Output 1	Enabling increased capacities and skills, jobs and additional climate finance
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Output indicator		1) # of people with increased capacities, improved skills and raised awareness (disaggregated by gender) 2) # of direct/indirect jobs supported or created 3) Change in amount of climate finance mobilised	
Baseline	2025		1)0 2)0 3) 0
Annual target	2026		1) tbd 2) tbd 3) tbd
Annual target	2027		1) tbd 2) tbd 3) tbd
Final Target	2028		A midterm study will assess the identified investment vehicles in terms of sectoral focus, geographic coverage, target group (beneficiaries).

Output 2	Depending on finally selected investment vehicles the projects will achieve results under either of the following areas: <ol style="list-style-type: none"> 1. Resilient cities and human settlements <ol style="list-style-type: none"> a. Cities and human settlements equipped with solutions for increasing climate and disaster resilience and adaptability b. Climate and disaster resilient infra-structure assets and/or services established and/or improved 2. Natural capital and water-energy-food nexus <ol style="list-style-type: none"> a. Sustainable water-energy-food security solutions established and/or improved b. Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved 3. Access to and production of clean energy <ol style="list-style-type: none"> a. Affordable clean energy access solutions facilitated b. Solutions for increasing sustainable and clean energy capacity, use and energy efficiency supported 		
Output indicator	1a) # of disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved 1b) # of new and existing infrastructure, assets and/or services made climate and disaster resilient 1c) # of people benefiting from established or improved weather and climate services, adaptation and disaster risk management plans and/or early warning systems. 1d) # of people benefiting from established or improved climate- and disaster-resilient infrastructure, services and/or physical assets. 2a) # of policies, plans, strategies and technologies developed in support for integrated resource management addressing specific water– energy– food - related concerns and efficiency measures		

		2b) # of measures on conservation, sustainable use and/or management of natural resources supported to benefit the habitat, biodiversity, and/or ecosystems 2c) Size of area brought under climate change adaptation and disaster risk management plans 2d) # of people benefiting from improved conservation, sustainable management and use of natural resources 2e) size of area brought under improved conservation, sustainable management and use of natural resources. 3a) # and types of affordable, clean energy connections facilitated 3b) Installed renewable energy generation capacity and # of public and/or private entities supported with measures to increase their capacity to promote energy efficiency and clean energy. 3c) # of people with improved access to clean energy 3d) annual energy generated/saved by installed clean energy capacity	
Baseline	2025		0
	2026		1) tbd 2) tbd 3) tbd
	2027		1) tbd 2) tbd 3) tbd
Final target	2028		To be defined based on the selection of investment vehicles

6. Budget

NDF is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

Use	Amount (DKKm)
Capital Contribution to NDF	149.0
MFA Mid-term evaluation	0.50
MFA Impact study (after selection of portfolio projects)	0.50
Total contribution	150.0

7. Trust Fund Management arrangement

The management arrangement must aim to ensure adequate reporting, dialogue, learning and timely decisions about the trust fund, including possible adaptations to ensure achievement of agreed outcomes. The trust fund investments into the investment vehicles will be managed according to NDF established processes and follow NDF's procedures as described in the NDF Programme Handbook and other related NDF policies. The progress and performance of the investment vehicles will be monitored by NDF.

Annual reporting will be done by NDF to the MFA on the performance of the funds based on the reporting materials from the investment vehicles. Reporting materials are expected to contain status of capital deployment in the investment portfolio, and status on output level targets in accordance with the results framework. The annual reporting from NDF will consist of an aggregated summary report collated across the finally selected investment vehicles.

One MFA mid-term review and one final impact study will be conducted. The budget for this will remain with the MFA. Presentation of envisaged NDF mechanisms for learning. The Ministry of Foreign Affairs of Denmark shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the trust fund and reserves the right at any time during or after completion of the trust fund to carry out evaluations.

8. Financial Management and reporting

[The full description of this section will be included in the project document] Please see Annex 2 for the self-assessment on financial management capacity.

The funds will be disbursed by the MFA to NDF in one tranche upon signature of the grant agreement between MFA and NDF. The grant will be managed according to [Danida Aid Management Guidelines](#) (AMG) including [Financial Management Guidelines](#).

The funds will be deemed to have been deployed by the MFA once they are disbursed to the selected investment(s) vehicle(s). The ownership of the assets resulting from these investments will reside with NDF. Consequently, as the capital, adjusted by the returns generated by the investment is returned, it will remain with NDF for further deployment in agreement with NDF's core mandate and strategy, extending the impact of the original grant beyond its first use.

This section will cover procedures and minimum requirements pertaining to:

- i. Disbursements
- ii. NDF procedures pertaining to financial management, including anti-corruption measures
- iii. Procurement
- iv. Financial reports, including final financial audited report
- v. Accounting and auditing [an annual audit statement is required]

The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed between the parties. The partner is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended. Both parties will strive for full alignment of the Danish support to the partner rules and procedures, while respecting sound international principles for financial management and reporting.

9. Risk Management

[This section will be included in the project document]

Summary of risk analysis and risk response for contextual, programmatic and institutional risk factors. Reference should be made to assumptions made in relation to the ToC. If relevant, describe joint risk management arrangements; e.g. discussions as part of the annual reporting. A detailed risk matrix should be in an annex.

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The risk is formulated as a headline or in one or two sentences	<ul style="list-style-type: none"> - Very unlikely - Unlikely - Likely - Almost certain 	<ul style="list-style-type: none"> - Insignificant - Minor - Major - Significant 	The risk response is formulated as a headline or in one or two sentences	The risk that remains after the identified risk response.	Brief explanation which can emphasize the risk factor itself or any of the other elements in terms of rating and responding to the risk

10. Closure

Preparation of an exit strategy commensurate with the scope and volume of support taking into consideration how structures, policies and partner activities will be able to continue without external assistance based on the implementation of NDF's overall strategy as an International Financial Institution.

[Indicate the tentative timeframe of the formal closure consisting of three steps:

- (i) Fund manager's final report
- (ii) Responsible unit's final results report (FRR)
- (iii) Closure of accounts: final audit, return of unspent funds and accrued interest and administrative closure by reversing remaining provision.]

Annexes:

Annex 1: Context Analysis [TBD project document]

Annex 2: Partner Assessment [enclosed]

Annex 3: Theory of Change, Scenario and Result Framework [TBD in project document]

Annex 4: Risk Management [TBD project document]

Annex 5: Budget Details [TBD project document]

Annex 6: List of Supplementary Materials [TBD project document]

Annex 7: Plan for Communication of Results [TBD project document]

Annex 8: Process Action Plan [enclosed]

Annex 9: Quality Assurance Checklist or signed table of appraisal recommendations and follow-up actions taken. [TBD project document]

Annex 10: Detailed investment strategy [enclosed]

Annex 2: Partner Assessment

NDF history, legal status and board/trustees

The Nordic Development Fund (NDF) is an international governmental organisation, established by a treaty signed on 3 November 1988 by the governments of Denmark, Finland, Iceland, Norway, and Sweden, and subsequently ratified. A new, ratified Agreement on the Nordic Development Fund was signed on 9 November 1998, replacing the original 1988 agreement, and remains in force today.

NDF is governed by its constituent documents, namely the Agreement on NDF, the related Statutes, and the Host Country Agreement between the Government of Finland and NDF, which has been enacted into law in Finland. NDF's operations commenced on 1 February 1989, and its headquarters have been located in Helsinki, Finland, since its establishment. NDF's overarching mission is to promote economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic countries (Article 1 of the Agreement on NDF).

The Statutes of NDF set out its governance structure. NDF is an international legal person with full legal capacity, vested with privileges and immunities typical for intergovernmental organisations, such as the Nordic Investment Bank, the African Development Bank, and the World Bank. As such, NDF is not subject to national banking supervision or other regulatory authorities.

NDF's governance is based on two independent bodies: the Board of Directors and the Control Committee (Sections 6–9 of the Statutes). The Board of Directors, composed of five members appointed by the foreign ministries of the Nordic countries for terms up to five years, is NDF's highest decision-making body, responsible for all financing and policy decisions related to operational and administrative matters, as well as for approving NDF's financial statements. The Chair is appointed for a one-year term, rotating among the Board members. The Board has delegated significant decision-making authority to the Managing Director, who is responsible for NDF's daily operations under the Board's guidance (Section 7 of the Statutes).

The Control Committee monitors NDF's compliance with the Statutes. It consists of a Chair appointed by the Nordic Council of Ministers and five parliamentarians appointed by the Nordic Council.

NDF staffing:

23.5.2025: 30 employees (80% women) 2024: 32 employees (78% women) 2023: 31 employees (71% women).

- NDF strategy: Current strategy is available at [Strategy - Nordic Development Fund](#). The upcoming strategy for 2026 and beyond is being developed. An NDF evaluation, that has been conducted to inform the new Strategy, will be presented to the NDF Board in June 2025.
- Lessons identified [overlap with the text in the main document. The text in the annex can be more exhaustive] *Conclusions from the evaluation can be provided when the evaluation has been presented in the June Board meeting.*
- Funding sources: Capital contribution from member countries, repayment of and service charges from outstanding loans and interest from liquidity placements.

Currency of your choice EUR	2022	2023	2024
Return on liquidity placements and service charges from outstanding loans	5.2m€	6.9m€	8.4m€
Own revenue category 2			
Core funding (i.e. non-earmarked funding) by donor category Capital contribution from member countries	26.41m€	37.93m€	24.85m€
Project funding by donor category			
Total	31.61m€	44.83m€	33.25m€

NDF MEL system

NDF reports annually project results in a Results Report. [Cover - Results Report 2023](#)

The Result Report 2024 will be presented in June 2025.

NDF Financial capacity self-assessment:

#	Financial management capacity assessment <u>Minimum requirements of the assessment are underlined</u>	Y/ N	Comments
Budgeting Budgeting is a planning and decision-making tool that allows the management and the organisation to estimate the cost of planned activities, control cost, measure performance through the comparison of actual cost against budget, and enforce financial accountability.			
1.	<u>Budgets are prepared for all the costs running the organisation/engagement.</u>	Y	
2.	<u>Project budgets are based on the cost of planned activities.</u>	Y	
3.	<u>Budgets are accrued into quarters across all project/programme activities.</u>	Y	
4.	<u>Project budgets are prepared in accordance with the structure of the results framework/log frame.</u>	Y	
5.	Both finance and programme/technical staff are involved in setting budgets to ensure that budgets are based on both financial and technical skill and knowledge.	Y	
6.	Budget reallocations are aligned with results framework/log frame revisions and created in collaboration between the staff responsible for activities and finance staff.	Y	

7.	Budget reallocations are approved by officers responsible for project activities.	Y	
8.	Budget sheets include explanatory notes and clear calculations which ensure transparency in the basis for the budget.	Y	
9.	A separate budget is prepared for core costs (overhead).	Y	
10.	Budget codes/lines match or correspond to accounting codes to allow for tracking actual against expected spending.	Y	
11.	The type and number of budget lines used reflect the organisation and complexity of the organisation.	Y	
12.	A cash flow forecast is prepared every month to allow for monitoring of cash flow for operational costs.	N	Forecasts are prepared quarterly to monitor available reserves.
13.	Budgeting has been reliable and accurate in the past (few or no material budget overruns, reputation for having robust budgeting procedures or the like.	Y	
Accounting			
The purpose of accounting is to provide reliable information about cost and expenditure. This is done through application of a relevant accounting system, accounting policies and standards. Accounting supports both controlling, reporting and auditing of the financial performance of the organisation.			
<i>Basic accounting system</i>			
14.	<u>A standardized electronic/computerized accounting system is in place and used</u>	Y	SAP. NDF utilize NIB's IT accounting systems and security
15.	<u>The accounting system can deliver relevant data for reporting purposes, for instance through extracts of raw data to Excel for analysis and reporting.</u>	Y	
16.	<u>The accounting system only allows access for authorized users.</u>	Y	
17.	<u>The accounting system logs all entries.</u>	Y	
18.	<u>The accounting system has a reliable and regular back-up system</u>	Y	
<i>Accounting practices</i>			
19.	<u>Every payment made has supporting documentation providing evidence.</u>	Y	
20.	<u>Original vouchers, original invoices and original signed receipts document all expenditures.</u>	N	Electronic scanned copies are attached in the accounting system

21.	<u>All accounting and supporting documents are retained and kept safe for up to ten years</u>	Y	
22.	<u>All cash received is recorded (preferably in electronic accounting system or alternatively on pre numbered carbon copy receipts) and deposited in Bank OTHERWISE cash or cheques cannot be used.</u>	Y	No petty cash.
23.	<u>All payments and receipts are recorded (in the electronic accounting system or alternatively in cashbooks).</u>	Y	SAP concur and SAP (Automated Invoice Handling)
24.	<u>A standard chart of accounts is used to classify each transaction.</u>	Y	
25.	<u>Transactions are also classified by project or donor using a standard list of cost centers or other accounting system dimensions.</u>	Y	Separate entities can be created for trust funds for example
26.	<u>The funds received from MFA are to be kept in a designated bank account or alternatively the designated ledger account must be established.</u>	Y	
27.	<u>A bank reconciliation is prepared each month for every bank account.</u>	Y	
28.	<u>A cash reconciliation is witnessed by senior staff and recorded each month</u>	Y	No petty cash.
29.	<u>Petty cash records are checked every month, must be checked by a different person than the one who keeps them.</u>	N/A	
30.	<u>The organisation keeps track of amount owed to others and owed by others.</u>	Y	
31.	<u>An accounting manual/policy is used and maintained specifying accounting procedures, roles and segregation of duties.</u>	Y	
32.	<u>Accounting practices follow local legislation or international standards.</u>	Y	
Internal Controls The purpose of internal controls is to safeguard assets, make sure that accounting records are accurate and prevent and detect fraud and errors. Essential internal controls include separation of duties, authorization and reconciliation. It can be relevant to include an audit of the internal controls in the audit of the financial statements (this will often be part of the auditor's work to produce an opinion in a financial audit).			
33.	<u>Segregation of duties is implemented and adhered to (segregation of duties means that e.g. money handling duties are separated from the record keeping duties, purchasing duties are separated from payment etc.).</u>	Y	
34.	<u>All fixed assets owned by the organisation are controlled using a fixed assets register stating at least asset tagging code, purchase price, location and book value.</u>	Y	Manual FAR is maintained on excel

35.	<u>Periodic physical inventories of assets or stocks are carried out against fixed asset list or inventories.</u>	Y	
36.	<u>There is a written policy detailing who can authorise expenditure of different types or value.</u>	Y	
37.	<u>All transactions are properly authorised by signatures.</u>	Y	
38.	All expenses are properly signed and documented with the application of purpose and participants.	Y	
39.	Assets are sufficiently insured given a cost/benefit evaluation (only applicable for non-governmental partners)	Y	
	<i>Cash management</i>		
40.	<u>Cash is kept safely, e.g. in a locked cashbox or a safe, and is in the custody of authorized individuals.</u>	N/ A	
41.	<u>All cheques are signed by at least two signatories and no blank cheques are ever signed.</u>	N/ A	
42.	<u>Proper controls are built into banking arrangements, e.g. authorization of disbursements and payments, double signatures on checks and transfers, conduct of regular bank reconciliations etc.</u>	Y	
43.	<u>Appropriate controls over management of cash is in place, including limits to the amount of cash held OR no cash is held.</u>	Y	No cash is held
<i>Staff expenses</i>			
44.	<u>Staff and payroll records such as contracts, salary statements, etc. are in place.</u>	Y	
45.	<u>Staff salaries are checked each month by a senior manager.</u>	Y	NIB HR handles salaries/payroll
46.	<u>Statutory deductions (e.g. payroll taxes) are properly made and paid on time.</u>	Y	
47.	Expenses claims for staff advances are checked by the same person who authorized the advance.	Y	
48.	Time sheets are used to document hours.	N	Unless specifically requested by funder.
<i>Procurement</i>			
49.	<u>A procurement manual covering request, authorization, selection of suppliers, order, receipt and payment when purchasing goods and services is used and maintained.</u>	Y	
50.	<u>Different steps of the procurement process (e.g. order, receipt and payment) are shared among different staff members.</u>	Y	
51.	A description/manual on different methods of procurement and tendering and when these are to be used is in place.	Y	

52.	A code of conduct exists to avoid occurrence or perceptions of conflicts of interest in relation to procurement and tendering.	Y	
Governance and staff The financial management of an organisation is supported by governance structures and competent staff. All business and financial processes need to be supported by governance, organisation and skills.			
53.	<u>A written procedure manual covering finance, procurement and HR is in place, used and regularly updated.</u>	Y	
54.	<u>The organisation is financially viable and sustainable.</u>	Y	
55.	<u>Staff roles are clearly defined, and the staff members are aware of their roles and responsibilities and of the organisation's policies and procedures.</u>	Y	
56.	<u>Management is involved in the financial management of the organisation/projects or programmes.</u>	Y	
57.	The partner has adequate policies and procedures in place to guide personnel activities and assure staff accountability.	Y	
58.	All planned operational costs are adequately funded.	Y	
59.	Different roles in the finance function are clearly defined, known and followed.	Y	
60.	The organisation has the necessary registration, authorization and mandate to undertake planned activities.	Y	
61.	An anti-corruption policy including a section on handling and protection of whistleblowers is in place, used, and regularly updated and shared with staff.	Y	
<i>Staff Skills</i>			
62.	<u>Key financial positions are held by qualified and competent personnel. Qualifications and competences are documented and match the size and complexity of the organisation.</u>	Y	
63.	<u>The finance staff have the specific skills and qualifications needed to carry out all financial activities. Skills and qualifications are documented and match the size and complexity of the organisation.</u>	Y	
64.	<u>A person with ultimate responsibility for the financial management, including for the MFA grant, is clearly identified and this person has the appropriate skills, experience and qualifications.</u>	Y	
65.	Managers and technical/programme staff have the relevant skills to manage budgets and budget monitoring. This includes training in budgeting and experience with budgeting and monitoring.	Y	
<i>Sub partners</i>			

66.	<u>The organisation has procedures in place to assure transparency and accountability where funds are transferred to sub-partners.</u>	Y	
67.	<u>The organisation has mechanisms for assessing the financial capacity of sub-partners.</u>	Y	
68.	The organisation has previous experience with grants/disbursements to sub-partners.	Y	
Financial reporting Management needs continuous financial reporting to oversee the finances of the organisation to monitor and make decisions regarding the activities of the organisation and projects. Proper financial reporting is essential in being able to communicate financial and technical results to management and donors.			
69.	<u>Senior management discuss financial reports at least once every three months.</u>	Y	
70.	<u>Donors and/or management receive financial reports in the right format and on time.</u>	Y	
71.	<u>The organisation meets statutory reporting requirements.</u>	Y	
72.	<u>Financial reports include details on income and expenditure, actuals and budget and deviations between actuals and budget.</u>	Y	
73.	<u>Financial reports are accrued into quarters or less.</u>	Y	
74.	<u>Financial reports include details on cash and bank balances, amounts due and owed.</u>	Y	
75.	Project management discuss financial reports monthly.	Y	
76.	Financial reports show the relevant level of detail according to their use/the need of their intended audience.	Y	
77.	Financial reports include explanations and comments about deviations made by project responsible staff.	Y	
Auditing Auditing verifies the accuracy of financial statements and the accounting practices and internal controls of the organisation. Auditing builds trust and transparency.			
78.	<u>The organisation is subject to regular audits.</u>	Y	
79.	A properly registered and independent external auditor/audit firm is selected and used.	Y	
80.	Annual accounts are audited according to appropriate international auditing standards, i.e. IASs and ISSAIs.	Y	
81.	Annual audited accounts are without material misstatements.	Y	
82.	The organisation is deemed a going concern by the auditor.	Y	
83.	Annual audits are up-to-date (signed within six months of the financial year-end).	Y	

84.	The organisation reacts on auditor's reports, comments and recommendations and implements relevant changes.	Y	
85.	Major issues in management letters from the auditor are subsequently followed up and addressed by management.	n/a	No major issues.

Annex 8: Process Action Plan [draft]

Activity	Deadline	Responsible
Recruitment of consultants	March 2024	MFA
Interviews and field visit London	1 April	MFA, Consultants
Interviews and field visit, NDF Helsinki	14 April	MFA, Consultants
Drafting of Concept Note	1 April – 15 May	Climate Bonds, NDF, Consultants
Concept note submitted for to MFA	22 May	Consultants
KLIMA Submission of concept note to Programme Committee	3 June	MFA
Written comments from the Programme Committee	13 June	MFA
Programme Committee Meeting	17 June	MFA
Follow up interviews	June	Consultants
Submission of draft PD to KLIMA	24 June	Consultants
Consolidated comments from KLIMA	26 June	MFA
Final documentation submitted by consultants	29 June	Consultants
KLIMA submits PD to appraisal	30 June	MFA
Appraisal	30 June- 29 August	Appraisal Team
Appraisal team present initial findings to KLIMA and consultants. Revision of documents initiated.	29 August	Appraisal Team
Appraisal submit draft appraisal report	29 August	Appraisal Team
KLIMA submits consolidated comments to appraisal report	5 September	Climate Bonds, NDF, Consultants, KLIMA
Confirm agenda item for 2 October meeting in Council for Development Policy	18 September	MFA
Appraisal team submit final appraisal report	12 September	Appraisal Team
Consultants submit revised version of PD	19 September	Climate Bonds, NDF, Consultants
Consolidated comments from KLIMA	26 September	MFA
Final version of PD	10 October	Consultants
KLIMA submits final draft PD for approval by the Council (UPR) incorporating the findings and recommendations of the appraisal	13 October	MFA
Council for Development Policy	30 October	MFA
Final version of PD to be submitted for approval by the Minister for Foreign Affairs	Early November	MFA
Approval of Aktstykke	Mid November	MFA

Annex 10: Investment strategy - Eligibility and evaluation criteria

ELIGIBILITY CRITERIA			
Category	Subcategory	Specific Criteria	USISA
1. Geographic Scope	Priority Regions	Primary Focus	- Sub-Saharan Africa > 75%
		Key Countries	- LDC and MIC/LMIC
		UMIC upper threshold	- Max 25% UMIC on fund level
2. Sectoral & Thematic	Core Focus Areas	Adaptation Priorities	- Focus on GCF Integrated Results Management Framework Core Indicators 2,3, and 4 (https://www.greencimate.fund/document/results-handbook)
3. Investment Vehicle Parameters	Characteristics	Size	- Minimum size USD 50 million
		Concessional tranche	- The concessional tranche should be sized proportionally to the investment vehicle's focus on the poorest countries, with higher concessional financing available to funds targeting LDCs and LMICs compared to those with higher allocations in UMICs, but in no case exceeding 40% of the total investment vehicle size.
		Domiciliation	- Neither the fund manager nor the investment vehicle can be domiciled in the US or Canada - Compliance with EU State Aid rules must be ensured.
4. Additionality	Additionality	Demonstration	- The additionality of IMCA's capital commitments should satisfy the OECD DAC PSI definition.
5. Climate Adaptation & Impact Metrics	Mitigation	Rio Marker	- <25% of portfolio in mitigation as defined as principally mitigation by Rio markers.
	Adaptation	Rio Marker	- ≥75% of portfolio in adaptation as defined as principally adaptation by Rio markers. - Refer to GCF IRMF Annex 2

6. Governance	Environmental & Social	Safeguard Compliance	- Aligned with the latest published version of the IFC Performance Standards (generally no category A projects)
	Gender	2x Challenge	- Either Fund strategy already 2x qualified, or minimum Gender indicators aligned with 2x Challenge.
	Prohibited Investments	Automatic Disqualifiers	- Alignment with NDF exclusion list (Annex 1: NDF Social and Environmental Policy)

EVALUATION CRITERIA			
Category	Subcategory	Specific Criteria	USISA
1. Sectoral & Thematic	Primary Targets	SDG Alignment	<ul style="list-style-type: none"> - Priority - SDG 1: No Poverty - SDG 2: Zero Hunger - SDG 5: Gender Equality - SDG 13: Climate Action - SDG 14: Life Below Water - SDG 15: Life on Land
2. Investment Vehicle Parameters		Asset Class	<ul style="list-style-type: none"> - Equity - Debt - Hybrid
		Structure	<ul style="list-style-type: none"> - No prescribed legal structure, must be coherent with strategy - Must present a credible exit route for MFA funds inside 15 years.
3. Mobilisation Expectations	Mobilisation ratio	Measurement Methodology	<ul style="list-style-type: none"> - Private capital mobilised should be reported according to the OECD DAC methodologies
		Private to IMCA	<ul style="list-style-type: none"> - IMCA targets a private capital mobilised of 2 to 3 times the capital committed by its partners. This will take into account the OECD DAC income bracket classification of target geographies.
4. Return Expectations	Performance Metrics	Targeted Gross IRR	<ul style="list-style-type: none"> - No minimum return requirements.
		Net IRR After Fees	<ul style="list-style-type: none"> - No minimum return requirements.

		Investment Horizon	<ul style="list-style-type: none"> - Target 12 years for closed end funds, flexibility according to specific strategy
5. Impact Metrics	Beneficiary Reach	Direct Impact	<ul style="list-style-type: none"> - The fund manager must present a credible strategy associated with a robust monitoring methodology.
	Climate Adaptation	Improvement Target	<ul style="list-style-type: none"> - The fund manager should have numerical targets for the relevant resilience indicators.
	Emission Reductions	Annual Equivalent CO2	<ul style="list-style-type: none"> - The fund manager must present a credible strategy associated with a robust monitoring methodology.
7. Risk			
	Economic & Political	Risk Assessment	<ul style="list-style-type: none"> - Substantial
	Financial	Risk Profile	<ul style="list-style-type: none"> - Moderate
8. Experience	Stages completed	Checklist	<ul style="list-style-type: none"> - Both established and First-time adaptation fund managers are welcome to apply, but management teams must demonstrate relevant investment track record to ensure sufficient private capital mobilisation; close attention will be paid to the experience of key investment personnel given IMCA's focus on attracting commercial investors.
9. Exit Strategy	Exit Criteria	Considerations	<ul style="list-style-type: none"> - Sustained climate adaptation impact - Continued local value creation
10. Strategic Pathways	Catalytic Financing	Investment Approach	<ul style="list-style-type: none"> - Early-Stage Interventions - Innovative Project Support - Potential for Demonstration effects - Potential to Mobilize additional climate finance, particularly private capital.

Unlocking Sustainable Investments at Scale towards Adaptation (USISA)

Partnership with Climate Bonds Initiative

Key results:

With the overall aim of mobilising private capital for increased resilience of emerging markets and development economies to climate impacts, the partnership with Climate Bonds Initiative will promote the issuance of and investment in green bonds that focus on climate adaptation and resilience.

This will be done by:

1. Demonstrating in one pilot country the mobilisation of private capital for climate adaptation and resilience through bond issuance. This will be obtained by contributing to the development of a national adaptation and resilience taxonomy, working with issuers and investors to increase knowledge and capacity regarding this mechanism.
2. Strengthening the adaptation and resilience debt market broadly in emerging markets and development economies by developing and making available a global Climate Bonds Resilience Taxonomy, developing and publishing market data and analysis and promoting the mechanism globally.

Justification for support:

Mobilisation of private capital for climate has increased rapidly over the last decade but most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind. Developing and adopting, both internationally and nationally, legitimate definitions of adaptation and resilience by establishing an agreed taxonomy, providing data and analysis and demonstrating the potential for mobilisation of private capital for climate bonds in a pilot country constitute important contributions to furthering overall mobilisation of private capital for climate adaptation and resilience.

Major risks and challenges:

1. Political interest in pilot country: Country selection will be undertaken with a political analysis lens, however over the project period, there may be changes in political priorities
2. Increased debt distress: After many years of low interest rates in the debt market, rising rates have increased the debt distress of many low-income countries
3. Appetite of market actors: International investors are interested in emerging markets as they offer high yields. However, international USD denominated debt increases debt distress risks as repayments can increase significantly.

File No.	25/10565				
Country	Global				
Responsible Unit	KLIMA				
Sector	24030 Formal sector financial intermediaries/Climate adaptation				
Partner	Climate Bonds International				
	DKK million	2025	2026	2027	2028
Commitment	50.0				50.0
Projected disbursement		8	20.3	11.7	50.0
Duration	December 2025 – June 2028				
Previous grants	NA				
Finance Act code	06.34.01.75				
Head of unit	Anne Hougaard Jensen				
Desk officer	Jesper Hilsted Andersen				
Reviewed by CFO	Karen Marie Hansen				

Relevant SDGs *[Maximum 1 – highlight with grey]*

 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	

Objective

The overall objective of the USISA programme is to increase resilience of emerging markets and development economies (EMDEs) to the projected climate change. The partnership with Climate Bonds will contribute to this by catalysing finance in EMDEs referencing credible resilience frameworks, including Climate Bonds' Resilience Taxonomy (CBRT) and national taxonomies.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100%			
Total green budget (DKK)	50,000,000			

Justification for choice of partner:

Climate Bonds has developed science-based eligibility criteria for more than 35 decarbonisation categories, including hard to abate industries, providing definitions for Paris-aligned green and transition investments. These have supported the rapid growth of labelled bonds, driving market growth to nearly USD 6 trillion in aligned issuance as of Q2 2025.

Summary:

This partnership with Climate Bonds Initiative aims at furthering the growing green bonds market for adaptation and resilience by developing and promoting science-based definitions of resilience and adaptation activities eligible for green bonds adapted to emerging markets and development economies (EMDE). Furthermore, the project will support the development of a common understanding of resilience across ecosystem actors and provide capacity building for stakeholders to create scalable, investment-ready climate adaptation pipelines. This will enable more countries to issue green bonds and attract private investments in climate adaptation in developing countries.

Budget (engagement as defined in FMI):

Partnership with Climate Bonds International	DKK 50 million
Total	DKK 50 million

**Unlocking Sustainable Investments at Scale towards Adaptation
(USISA)**

Partnership with Climate Bonds Initiative

Concept Note

June 2025

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List of Abbreviations

AfDB	African Development Bank
A&R	Adaptation and resilience
CBRT	Climate Bonds' Resilience Taxonomy
CEO	Chief Executive Officer
DFI	Development Finance Institution
EMDE	Emerging markets and development economies
GCF	Green Climate Fund
GGA	Global Goal on Adaptation
GSS+	Green, social, and sustainability-linked bonds
MEL	Monitoring, evaluation and learning
MFA	Ministry of Foreign Affairs of Denmark
NDC	Nationally Determined Contribution
SoTM	State of the Market
USISA	Unlocking Sustainable Investments at Scale towards Adaptation

1. Introduction

The present Concept Note outlines the background, rationale and justification, objectives and management arrangements for a partnership with the Climate Bonds Initiative under the programme *Unlocking Sustainable Investments at Scale towards Adaptation (USISA)*, as agreed between the parties: The implementing partner Climate Bonds Initiative (Climate Bonds) and KLIMA, Ministry of Foreign Affairs of Denmark (MFA). The project document is an annex to the legal agreement with the implementing partner and constitutes an integral part hereof. This partnership is one of two projects under the USISA programme, the other being the partnership with Nordic Development Fund.

Mobilisation of private capital for climate has increased rapidly over the last decade. Most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind. These two projects under the USISA programme both aim at mobilising private finance for climate adaptation through two innovative mechanisms, thereby contributing to the overall learning within the field of innovative climate finance and serving as an example for others.

This partnership with Climate Bonds Initiative aims at furthering the growing green bonds market for adaptation and resilience by developing and promoting science-based definitions of resilience and adaptation activities eligible for green bonds adapted to emerging markets and development economies (EMDE). Furthermore, the project will support the development of a common understanding of resilience across ecosystem actors and provide capacity building for stakeholders to create scalable, investment-ready climate adaptation pipelines. This will enable more countries to issue green bonds and attract private investments in climate adaptation in developing countries.

2. Context, strategic considerations, rationale and justification

2.1 Global challenges

Developing countries face severe **climate adaptation challenges** across all sectors. Fragile infrastructure is ill-prepared for climate extremes: floods and heatwaves already damage roads, energy and water systems – especially in rapidly growing cities with informal settlements. Climate change is already harming health, tens of millions of Africans face extreme heat stress and weather disasters today, and rising temperatures are expanding infectious diseases like malaria, putting many more people at risk. Climate change is reshaping agriculture and undermining the income and livelihood of not least people in Sub-Saharan Africa and low-income countries, where the agriculture sector is the most important source of revenue. The key challenge now is turning this disruption into an opportunity to strengthen rural and urban livelihoods. This requires smarter, better-funded approaches to adaptation and resilience. Rethinking investments in both rural and urban development is essential to building resilient systems that support better incomes and healthier lives.

The **investment needs** for climate action are estimated to be in the order of USD 2.3–2.5 trillion in EMDEs other than China. Of these projected investments that are necessary for delivering on the Paris targets for the EMDE's, around USD 1.6 trillion is for the clean energy transition, USD 0.25 trillion for adaptation and resilience, USD 0.25 trillion for loss and damage, USD 0.3 trillion for natural capital and sustainable agriculture, and USD 0.04 trillion for fostering a just transition.¹

The finance gap towards climate adaptation is also addressed through the UN climate negotiations where country governments are committed to a collective Global Goal on Adaptation (GGA) defined in the Paris Agreement. At COP29, agreement on the New Collective Quantified Goal on Climate Finance did not include a subgoal on adaptation finance. Towards COP 30, 2025, it is expected that countries will discuss and agree on indicators on how to measure progress at the global and national levels towards the Global Goal on Adaptation. This will include discussions on the means of implementation, including finance, technology and capacity building, and on how enabling factors can help unlock adaptation finance from both public and private sectors.

On the national level the National Adaptation Plans (NAPs) outline a given country's adaptation needs and priorities and would ideally also identify the investment and financing needs in national investment plans. Not all countries have developed NAPs or collated adaptation financing needs into a single document/investment plan. An increasing number of countries are including adaptation priorities in their nationally determined contributions (NDCs) or in other sectoral action plans and strategies. 63 developing countries and 10 developed countries have to date submitted National Adaptation Plans (NAPs) whereas, approximately 75% of countries that have submitted NDCs have included adaptation actions in these. In the global climate negotiations, there is a growing focus on how to make NAPs implementable and investable in order to accelerate adaptation action at country level.

There are uncertainties and difficulties in assessing the exact amount of adaptation finance needed on a global scale and subsequently also on national scale. One way of ensuring relevance and effectiveness of the finance provided is by ensuring that it is tailored to national and local contexts, risk specific and makes use of agreed monitoring and evaluation indicators by for example using Green Climate Fund (GCF) indicators.

The scale and size of financing needed to achieve the necessary transformation and adaptive capacity of countries requires that the largest part of this finance should come from private sources. Between 2019-2020 private climate finance accounted for approximately 13% of climate finance in Africa whereas 87% came from public sources (CPI, 2022), and climate adaptation in Africa is almost exclusively financed through public sources (OECD, 2024). Joint investment platforms between public financial institutions and private investors are considered key to incentivise more private capital and to maximise the impact of limited public funds (CIC, 2023).

Reported finance flows related to climate resilience (i.e. adaptation finance) were only USD 46 billion per year, out of total reported climate finance flows of USD 632 billion per year (CPI, 2021). Almost all

¹ Bhattacharya A, Songwe V, Soubeyran E and Stern N (2024) Raising Ambition and Accelerating Delivery of Climate Finance. Third Report of the Independent High-Level Expert Group on Climate Finance. London School of Economics and Political Science, 2024.

adaptation finance comes from the international public sector, including development finance institutions, while less than USD 1 billion comes from private finance sources. The Secretary-General of the United Nations has been calling all nations and development finance institutions to urgently raise adaptation finance to 50% of total climate finance. The African Development Bank (AfDB), for example, dedicated 68% of their climate finance to adaptation in 2020 in order to support Africa, the most vulnerable continent, to become more resilient to climate shocks. Meeting the financing needs of this scale through official development assistance flows, or even through government expenditures more broadly, will be extremely difficult, especially given the fiscal pressures that many governments are currently under, particularly in the developing world. Therefore, improving access to capital markets for meeting these financing needs must be prioritised.

The **sustainable debt market** is dedicated to issuing debt instruments – such as bonds or loans – that finance projects with environmental and/or social benefits. The sustainable debt market has evolved into a major vehicle for channelling finance from capital markets into sustainable activities. By second quarter of 2025, nearly USD 6 trillion in issuance of green, social, sustainability, and sustainability-linked bonds. Most of these bonds are issued by government institutions in North America, Europe and China, but increasingly also in other regions. Bonds are a valuable tool for climate finance as they provide a transparent instrument that offers comfort to investors whilst often delivering a pricing benefit to the issuer. If bonds are labelled it signals their purpose, and labelling would typically be aligned to certain standards and criteria. Labelled bonds provide investors a means to finance good practices in accordance with the growing mandate to address climate change and through this, influencing the business strategy of bond issuers. Since the first labelled green bond in 2007 by the European Investment Bank (EIB), USD1.5 trillion of labelled green bonds have been issued worldwide from a diverse range of issuers. Green bonds are highly attractive to investors – not least institutional investors, such as Danish pension funds – looking to fulfil their growing green mandates. The success of labelled green bonds has inspired the creation of other labelled bonds, such as social bonds. Recent research from the Bank of International Settlements (BIS) has demonstrated that whilst the green bond market is a voluntary one, emissions in those sectors utilising green bond finance have declined.

In the early stages of the green bond market development, a focus on low-hanging fruit for climate mitigation (e.g. renewable energy) was necessary for scaling-up. Now that the green bonds market is well-established, more difficult areas, such as adaptation and resilience, are being tackled, but this component of green bonds issuance is still at a modest level. A share of 16% of deals in the global labelled green bond market up to September 2020 included activities related to adaptation and resilience, mostly in the water and water-related sectors, in 2021 this had increased to 19% (Climate Bonds Initiative, 2022). From these, 79% of the issuances have come from developed markets, 15% from supranational institutions, and only 6% from emerging markets (Global Center on Adaptation, 2021).

One of the key obstacles to mobilising private sector climate adaptation financing is the lack of clarity around the concept itself. Private sector investors often struggle with the absence of a shared understanding or consensus on what qualifies as an appropriate use of adaptation finance. This ambiguity makes it difficult to attract private funding for climate adaptation and poses even greater challenges when it comes to implementing projects and reporting adaptation outcomes.

A **green taxonomy** is a classification system that defines which economic activities are environmentally sustainable and support climate change mitigation and/or adaptation. It provides clarity for financial institutions, investors and governments ensuring that resources are channelled into activities that have a real impact on the transition to a greener and low carbon economy

and helps financial actors and others determine which investments can be labelled “green”. In the absence of formally agreed-upon definitions, market actors tend to introduce their own definitions, which results in poor accountability and higher transaction costs. The European Union’s green taxonomy entered into force in 2020 and has rapidly achieved an important status in directing the labelling of green investments for European financial institutions.

Definition of resilience investments

Resilience investments improve the ability of assets and systems to persist, adapt and/or transform in a timely, efficient, and fair manner that reduces risk, avoids maladaptation, unlocks development and creates benefits, including for the public good, against the increasing prevalence and severity of climate-related stresses and shocks.

Fiji: Green bond frontrunner

Fiji was the first emerging market to issue a sovereign green bond, raising FJD100mn (USD50mn) to support climate change mitigation and adaption. It was also one of the first sovereign bonds where the majority of the bond proceeds was allocated to build resilience in highly vulnerable areas (coastal and riverine) and sectors (agriculture, health and education infrastructure, rural housing and community driven development). The project identification process was a collaborative effort across ministries and the Reserve Bank of Fiji. With high-level political endorsement, the bond allowed Fiji to reach an untapped international investor base and encouraged domestic investors to help finance green projects through this bond.

(Global Center on Adaptation, 2021)

The process of preparing a taxonomy is iterative and involves elaborating an overall framework and then revising it and adopting the experience gained. The actual indicators and threshold are developed by industry actors and technical advisory groups. The justification should be technically sound applying a science-based approach to explain the connection between the activities and environmental and climate targets, i.e., the Paris Declaration targets. A taxonomy becomes more effective if it is linked to policy incentives. These could be in the form of setting minimum targets for green investments for financial institutions (which has been done in Bangladesh) or combine the green taxonomy with public guarantee schemes or subsidy schemes (as in China).

The green taxonomy has to be localised and there is therefore a need to develop ***national green taxonomies*** that can provide guidance to the financial market. The taxonomy should be based on national policy objectives, so that it can be used to promote investments towards publicly agreed policy goals. Given the overall aim of attracting investments, countries may for example prioritise certain sectors or economic activities in the taxonomy where finance plays a key role to increase the flow of capital

Country example: Uganda

Uganda has demonstrated significant climate ambitions through various initiatives and commitments aimed at addressing the impacts of climate change and enhancing resilience, including Uganda's updated Nationally Determined Contribution (NDC), launched in 2023.

Uganda has also made significant progress in its climate finance agenda, focusing on addressing the multifaceted impacts of climate change. The integration of climate considerations into national development plans is at the core of this effort.

With assistance from the Global Green Growth Institute and a range of donors – including Denmark – Uganda developed and issued its first draft National Green Taxonomy in March 2025.

toward these activities. Rwanda, South Africa and Uganda have developed their first version of a green taxonomy (see box).

Establishment of a national green taxonomy enhances the access to international climate finance, but most financial markets on the African continent only benefit modestly from international investments and would face challenges in attracting important volumes of international climate finance (except from development finance institutions) even if they had a green taxonomy. Local currency issuance is the norm for countries with active capital markets and is the preferred approach for countries to avoid risks of currency fluctuations risks and external shocks. It is also an important element in the active building of local capital markets.

In many developing countries local currency issuance will deter overseas investors. As evidence of this, green bonds are only issued by few African countries.

2.2 Climate Bonds Initiative

The Climate Bonds Initiative (Climate Bonds) has a strategy to engage with and support actors within the climate finance ecosystem to provide the tools, data, capacity building, convening and evidence-based policy recommendations to increase credible issuance and boost finance flows to climate aligned activities and entities. Specifically, Climate Bonds works to:

1. Articulate robust, science-based guidelines for finance through developing and supporting uptake of:
 - Sectoral pathways and eligibility criteria for green and transition investments.
 - Sustainable finance taxonomies for green, transition and resilience investments.
 - Frameworks and Standards to provide overarching guidance on identifying credible investments
 - Science based financial regulation recommendations that support mitigation and resilience.
2. Create and scale preferential markets for qualifying investments through:
 - Educating investors
 - Supporting easy discovery of credible investments through labelling and data tools
 - Advocating for supportive policies from governments and development finance institutions
3. Promote good practice and screen out greenwashing
 - Market-wide analysis of bonds and trends
 - Analysis of specific issuance

Climate finance for both mitigation and adaptation is far below the levels required to effectively tackle climate change. Global institutional investors have sufficient capital to deliver positive impact and are increasingly willing to channel funds into credible climate investments but there is a lack of pipeline as well as easily identifiable opportunities. Since 2010, Climate Bonds has driven the development and uptake of core tools to support issuance of debt and for investors to identify credible labelled debt and finance the climate transition.

Climate Bonds has developed science-based eligibility criteria for more than 35 decarbonisation categories, including hard to abate industries, providing definitions for Paris-aligned green and transition investments. These have supported the rapid growth of labelled bonds, driving market growth to nearly USD 6 trillion in aligned issuance as of Q2 2025. These eligibility criteria and associated frameworks have in turn been used successfully by Climate Bonds to develop more than 20 taxonomies globally, including contributing to the taxonomies for EU, Rwanda, Brazil, Senegal, and Malaysia.

Climate Bonds research from 2017 to 2024 demonstrated the existence of pricing benefits for issuers obtained by green bonds in the primary market and for investors in the secondary market. This evidence has been used extensively with issuers, investors and governments to demonstrate the financial benefits of credible labelled bonds.

Further information in Annex 2, Partner Assessment.

2.3 Lessons learned that have informed the intervention strategy

The strategy for Climate Bond's work on adaptation and resilience is aligned with the overall approach and based on the results obtained so far outlined above. Specific lessons that have informed the design of the programme include:

- Stand-alone projects struggle to bring impact at scale due to poor interconnectivity and lack of cross team and project learning. The work on adaptation and resilience has been designed as a strategic programme that addresses all elements of Climate Bond's overall strategy in a holistic manner to drive impact and scale.
- Mitigation is guided by top down, global, sector-based decarbonisation pathways to maintain emissions within the global carbon budget. However, resilience needs to be locally defined within a globally understood structure as climate impacts and vulnerability are contextual.
- Analysis-based stakeholder engagement and management is a necessary, and long-term element.
- It is necessary to both emphasise risks of inaction as well as define benefits of action, a purely risk-based approach has limited value for all stakeholders.

2.4 Alignment with Danish policy priorities

The partnership with Climate Bonds delivers on a core priority in Denmark's development strategy, *The World We Share*, and the new *Africa Strategy* to address climate change adaptation. With this initiative, the market for green bonds will to a larger extent include adaptation and resilience aspects, and climate adaptation bonds are promoted in emerging markets and developing economies.

Investments for climate adaptation can, to a larger extent than funding for climate mitigation, be programmed to benefit vulnerable people in developing countries, who are disproportionately exposed to the impacts of climate change due to a combination of geographical, economic, and social factors. Livelihoods are often tied to agriculture, fisheries, and forestry sectors that are highly climate-dependent and lack insurance or risk protection mechanisms, and lack of access to finance, technology, and infrastructure hinders the ability to respond to or prepare for climate risks. Furthermore, marginalized communities may live in hazard-prone areas and access to public services like healthcare, social safety nets, early warning systems, and disaster response are often weak or underfunded.

In many countries significant socio-economic inequalities between men and women still limit or prevent women's access to education, property, financial assets, technology, political decision-making and other resources. These gender-discriminatory norms limit women's adaptive capacity and prevent them from developing stronger climate resilience. Especially women in developing countries are at increasingly high risk of suffering loss and damage from climate change. This should be taken into account at national level when additional finance to climate adaptation is out into action.

3. Project Objective

Climate Bonds aims to increase debt capital market investments in national adaptation priorities of emerging markets and development economies (EMDEs), bolster resilience funding and create a replicable model that boosts local market growth.

The overall objective of the USISA programme is *to increase resilience of emerging markets and development economies (EMDEs) to the projected climate change*. The partnership with Climate Bonds will contribute to this by catalysing finance in EMDEs referencing credible resilience frameworks, including Climate Bonds' Resilience Taxonomy (CBRT) and national taxonomies.

4. Theory of change and strategy

4.1 Theory of Change

This project will primarily contribute to catalysing market growth, with a particular focus on EMDEs and working deeply in one priority country. The work is centred on the development and adoption of standardized A&R investment frameworks, strengthened capacity, and local market building to unlock private capital for adaptation investments and create investment opportunities that meet investors risk-yield requirements. These work streams will be supported by ongoing policy and market analysis to build a knowledge base of success factors that can scale A&R capital markets whilst mitigate against physical and financial climate risks. By addressing systemic barriers such as the lack of standardized definitions and limited capacity to participate in capital markets, a transformational shift in global climate finance can be achieved.

The theory of change is that ***if*** the CBRT taxonomy is further developed and tested in one country and data, analysis and guidance is provided and communicated the EMDEs accompanied by capacity strengthening of issuers and engagement of green bond stakeholders, ***then*** there will be an increased

understanding of the resilience bond market and an adoption of A&R frameworks at national level that will lead to an increased catalysation of funds directed to climate adaptation and resilience in EMDEs.

The key assumptions include:

- The policy environment in EMDEs is conducive to furthering climate adaptation and resilience investments;
- Stakeholders, policy makers, issuers and investors engage;
- EMDE market conditions support adaptation and resilience finance.

4.2 Implementation Strategy

The Danish grant will contribute to Climate Bonds' strategic programme on adaptation and resilience, which is designed to align with the strategic objectives of Climate Bonds to build the technical tools, develop the market and support the policy frameworks needed to increase financing for resilience globally.

The main intervention pillars of Climate Bonds' adaptation and resilience programme are listed below, as well as the MFA-supported contribution planned under this project.

- a) **Development of the CBRT:** The CBRT needs refinement with the further development of thresholds and greater granularity of metrics across all seven themes. The taxonomy will be taken through a robust public consultation process to allow for certification, and its development will be driven by expert working groups for each sector.

The Danish grant will enable Climate Bonds to advance the development of the resilience taxonomy to a point where it is published for public consultation.

- b) **Tailoring to country-context:** Tailoring the CBRT to be fit-for-purpose in key pilot regions and creating user-oriented guidance to enhance its uptake. This will be achieved through convening local resilience experts into working groups to identify and prioritise national resilience needs and support the identification and development of local thresholds for the relevant themes and sectors.

Under the project, the global taxonomy will be tailored to the local context and priorities in one middle-income country and elaborate a common, credible set of definitions and metrics for investments from both international and national stakeholders.

- c) **Creation of targeted resilience finance knowledge products:** Knowledge products developed on the CBRT and the development and application of local A&R taxonomies. Production of an online taxonomy platform to facilitate easier access to the taxonomy, user guidance, tools, briefings for different stakeholders including approaches to mitigating debt risks and building local currency markets.

Under the project, the activities will include the development of resilience taxonomy guidance and explainer, which is contextualised to EMDEs and development of an on-line platform designed to improve usability and accessibility of the CBRT. The access to the on-line platform will be free of cost to EMDEs, since the cost will

be covered by the project. The sector toolkits developed are used in the pilot country to provide feedback of user experience.

- d) **Connecting issuers with the ecosystem:** A key intervention is the strategy of supporting issuers to develop their pipelines and facilitating connections with a broader ecosystem of actors—including technical assistance providers, blended finance entities, and guarantee schemes—to address barriers beyond project identification. This convening role is critical to overcoming challenges issuers face in bringing bonds to market. These "Issuers Clubs" bring together public and private sector actors, technical assistance providers, and investors, fostering collaboration and knowledge exchange. The composition of issuers clubs will vary according to country context but would likely include sovereign, sub-sovereign, development finance bodies, banks and corporates.

Based on Climate Bonds country-level experience from other green bonds, notably bonds focused on climate mitigation, the project includes developing the terms of reference and background analysis for establishing an Issuers' club in the pilot country, which will be a possibility of gaining experience for later scaling up. Members of the Issuers' club could include local and national governments, banks, corporates and development finance institutions. To mitigate the risks of structural barriers to issuance, issuers who demonstrate enhanced readiness and those with high likelihoods of success in the short term will be the initial focus, while simultaneously building capacity for more challenging deals.

- e) **Supporting and convening investors:** Investor Working Groups and investor summits will be convened to bring the credible pipelines that are being identified and developed to investors for financing. The investor working groups will also be co-convened with the 'issuers clubs' to build networks across the ecosystem between different actors of those developing A&R projects and those seeking to finance A&R activities.

Based on ecosystem research and surveys undertaken to understand the landscape, potential investors will be invited to participate in a working group at national level in Country X. The working group will enhance the collaboration and knowledge exchange in the pilot country between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&R project financing.

- f) **Technical Assistance:** Providing tailored support to sovereign and sub-sovereign issuers to develop green bond frameworks and align portfolios with the CBRT to issue demonstration A&R bonds. Supporting banks and other ecosystem actors in developing financing frameworks to define and channel finance to A&R activities.

Under the project, a technical assistance framework for supporting issuers to develop A&R-aligned green bonds frameworks developed and delivered. Lessons learned from the technical assistance process will be published to promote the development A&R-aligned green bonds frameworks for resilience in other countries.

- g) **Global A&R Investment Tracker:** Creation of a screened dataset of credible investment opportunities aligned with the CBRT and local A&R taxonomies. This builds on the success of the screened Green, Social, and Sustainability bond database used extensively by investors and indices to identify credible investment opportunities and establish funds.

Under the project, an Adaptation Investment Tracker will be created for EMDEs. It will include a database of credible A&R related bonds is developed based on existing Climate Bonds GSS+ Database.

- h) **Market research and global ‘State of the Market’ report:** ongoing in-depth market research at a global, regional thematic and country level to monitor the shape and size of the A&R debt market, highlight developments, and describe opportunities.

The development of an annual State of the Market research report will be developed to monitor the shape and size of the A&R debt market, highlight developments, and describe opportunities with a focus on EMDEs.

- i) **Policy analysis and support:** Developing the recommendations to create a supportive policy environment for resilience financing for governments and DFIs. Work will include integrating the CBRT into national taxonomies, guidance on taxonomy governance and interoperability. Research and recommendations on mainstreaming a resilience lens throughout public and private sector investments and policies to ensure all investments are future proofed. Importantly research will look at methods to increase local fiscal space and build local capital markets to increase finance flows without increasing external debt for vulnerable nations. Advocacy at COP and other international fora such as with the G20 to build momentum for resilience financing. Engage with national stakeholders, such as ministries of finance, ministries of environment, regulators, and central banks, to ensure alignment with national priorities and foster ownership, enhancing the likelihood of sustained outcomes.

Under the project, thematic market and specific policy research will be undertaken and published to identify risks, trends and opportunities for A&R market development with a specific focus on EMDEs providing recommendations for action.

- j) **Strategic communication campaigns:** Working to build market awareness of resilience financing opportunities through targeted and impactful communications campaigns including engaging in conferences, hosting events, holding workshops, publishing briefings and providing training. The goal is to raise awareness of the tools available and build capacity and knowledge to apply taxonomies, emphasizing inclusive participation from underrepresented groups.

Under the project, a communications and marketing strategy targeting A&R market growth in EMDEs will be developed and implemented across Climate Bonds. The communication includes participation in global and regional conferences with A&R focused event, output related engagements, briefings, website updates, infographics and webinars. An impact tracking system established to monitor reach and impact. At project end a European Investor initiative will be co-organised with Danish MFA to showcase investment opportunities.

4.3 The approach of the pilot country work

One middle-income country will be selected as pilot country under the project. At country level, Climate Bonds will work with local stakeholders to identify national and local priorities for resilience financing and support the building out of a globally aligned local taxonomy to support issuers to identify projects that align with global taxonomies and national priorities and facilitate connections between issuers, aggregators, blended finance providers, investors, and other solution providers.

The work at country level will feed back into the overall adaptation and resilience work of Climate Bonds. The project is intended to test the new multi directional (top down – bottom up) approach to developing taxonomies as well as test and learn from the extended and intentional market building efforts in each country. The lessons learned from building the market, understanding the importance of local policy contexts and how to establish safeguards to prevent creating or adding to risks of debt distress will be used to develop and inform the global programme.

At the time of elaborating this concept note, Climate Bonds is in the process of identifying the pilot country with the intention to have the country identified for the final project document.

Countries interested in issuing green bonds with an adaptation and resilience component are at different stages of market readiness with varying degrees of necessary capacities and enabling contextual factors, including awareness, governance, resilience pipelines, investment-ready projects, capacity to issue, and long-term credibility.

Having the pre-requisites in place, or in process, will enhance the likelihood that the project activities contribute to an actual green bond issuance and the selection of pilot countries should therefore be based on a thorough analysis. It requires for example that adaptation and resilience considerations are mainstreamed in major policy areas and in National Adaptation Plans. Furthermore, a pipeline of adaptation and resilience projects or government programmes should be identified and prepared as part of the process. The pipeline should have a sufficient size to reach capital markets, which can be challenging given the often small nature of climate adaptation investments, for example in the agriculture sector.

Even if national green bond guidelines are in place, capital markets should be relatively well-developed and preferably able to access both domestic and international investors. The common perception of lack of transparency associated with investing in emerging markets should be addressed through reliable post-issuance reporting and issuers providing impact reporting. Previous issuance of green bonds in the market is a good indicator of market readiness. More than 70 emerging markets (as defined by MSCI's market classification) have issued green bonds, a full list is provided in Annex 11.

The following pilot selection criteria have been developed for the project:

- Middle income, ODA eligible country with climate adaptation and resilience well integrated in national planning, at least in some priority sectors;
- Significant relative exposure to climate change risks to the population and economy in terms of likelihood of adverse climate effects, consequences of adverse climate effects and number of people affected.
- The country has initiated the journey by developing a taxonomy of some form (green or transition) that requires additional support to develop an adaptation and resilience component or to support uptake and usability;
- A certain volume of investors interested in green bonds and preferably with previous experience from bond investment in the country;
- Potential access to concessional finance for issuers;

- Potential for impact for the work to scale, for example by supporting a regionally relevant demonstration taxonomy;
- Previous Climate Bonds experience from the country, for example through training activities or facilitation of elaboration of a broader green bond taxonomy;
- If possible, potential synergies with other Danish funded cooperation will be taken into consideration.

The pilot countries currently under consideration include Brazil, India, South Africa, Colombia, Indonesia, Malaysia and Thailand. It is envisaged that 1 country will be included as a pilot based on an analysis of the selection criteria. An example of a synthesis analysis is enclosed as Annex 11.

5. Results framework

Progress will be measured through Climate Bonds's monitoring framework focusing on the outputs and outcomes of the results framework and their associated indicators.

Programme	Unlocking sustainable investments at scale towards adaptation
Programme Objective	Increase resilience of Emerging Markets and Development Economies (EMDEs) to projected climate impacts
Impact Indicator	Volume of finance catalysed in EMDEs referencing credible resilience frameworks, including CBRT and national taxonomies.

Project Title		Partnership with Climate Bonds International	
Outcome 1		Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in X pilot country	
Outcome indicator		a. Number of A&R-related issuers in country X b. Volume of A&R-related issuance in country X	
Baseline	2025		Depending on selection of pilot country
Target	2026		Depending on selection of pilot country
Target	2027		Depending on selection of pilot country
Target	2028		Depending on selection of pilot country

Output 1.1		A national resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT	
Output indicator		Progress towards publishing a national resilience taxonomy in country X	
Baseline	2025		National resilience taxonomy unavailable or only partially completed.
Target	2026		Approach to localise the CBRT has been agreed in country X
Target	2027		Structure and initial draft of national taxonomy developed for country X.
Target	2028		National taxonomy published for consultation in country X.

Output 1.2		Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders.	
Output indicator		a. Issuer club of relevant issuers regularly convened and active. b. Issuer club members report an increased ability to identify and develop credible A&R pipelines for investment.	
Baseline	2025		a. No issuer club established in country X b. No or little exchange of information between issuers and investors
Target	2026		a. Issuer club convened in country X b. Beginning exchange of information between issuers and investors
Target	2027		a. Issuer club active, training and workshops developed on A&R related issues b. Issuer club co convened with investor working group to build networks across the ecosystem.
Target	2028		a. Issuer club active with regularly attendance of representative group of issuers from country X b. At least Y% of issuers of issuer club report an increased understanding of credible A&R pipelines

Output 1.3		Collaboration and knowledge exchange enhanced in country X between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&R project financing.	
Output indicator		a. Relevant stakeholders regularly convened in country X and active in a working group on adaptation and resilience b. Knowledge products published based on co-creation between working group members in country X	
Baseline	2025		a. No working group convened b. 0
Target	2026		a. TOR for working group developed, stakeholder analysis completed and working group convened b. 0
Target	2027		a. Working group active with two meetings and workshops with issuer clubs. b. Workshops on CBRT and the local taxonomy developed in response to needs
Target	2028		a. Working group active with one workshop with issuer club. b. Co-creation and publication of research and learning outputs from the activities of the working group.

Output 1.4		Strengthened capacity of issuers to develop A&R aligned green bond frameworks in country X	
Output indicator		a. Number of issuers supported to develop A&R-aligned green bonds frameworks	
Baseline	2025		a. 0 issuers trained. No TA provided
Target	2026		a. 0 issuers trained. TA framework for supporting issuers to develop A&R-aligned green bonds frameworks developed and agreed.
Target	2027		a. Y issuers trained in country X
Target	2028		a. Z issuers trained in country X

Outcome 2		Strengthened A&R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs	
Outcome indicators		1. Number of investors reporting increased knowledge and understanding of A&R investment opportunities in EMDEs and the pilot country by 2028 2. Number of references to credible A&R tools in investment frameworks, bond frameworks, climate strategies and other relevant publications 3. Extent to which there is evidence of a stronger A&R debt market based on number of issuers across types of issuers (banks, corporates, sovereigns) and countries.	
Baseline	2025		Baseline of number of report and research references
Target	2026		Baselines for market understanding of A&R frameworks established through public references to tools and market surveys with key informants.
Target	2027		X% increase in number of references of Climate Bonds Resilience research from 2024 baseline
Target	2028		X% increase in number of references of Climate Bonds Resilience research from 2023 baseline X% increase in number of investors reporting increased knowledge and understanding of A&R investment opportunities in EMDEs and the pilot country Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity

Output 2.1		Global CBRT further developed and freely available for EMDE stakeholders	
Output indicator		Number of sectors and measures further developed in the global CBRT	
Baseline	2025		Global CBRT partially completed. 1 sector within infrastructure and whitelist of investable measures developed.
Target	2026		Four resilience working groups to develop CBRT convened and four CBRT sectors drafted.
Target	2027		Four additional (eight cumulative) resilience working groups to develop CBRT convened. Eight CBRT sectors drafted.
Target	2028		Eight CBRT sectors published for consultation.

Output 2.2		Adaptation Investment Tracker created for EMDEs. Database of credible A&R related bonds is developed based on existing Climate Bonds GSS+ Database	
Output indicator		Climate Bonds Database includes A&R tags and methodology and is searchable	
Baseline	2025		No database for A&R bonds
Target	2026		Methodology developed and screening started with a focus on EMDEs
Target	2027		Initial database established and freely available for EMDE stakeholders
Target	2028		Database methodology and dataset functional and useful for research and portfolio development with a focus on EMDEs

Output 2.3		Annual State of the Market (SoTM) research report to monitor the shape and size of the A&R debt market, highlight developments, and describe opportunities with a focus on EMDEs.	
Output indicator		a. Annually published research that provide useful information on A&R market trends	

		b. Numbers of reports downloaded	
Baseline	2025		a. Limited A&R analysis included in Annual State of the Market publication b. 0
Target	2026		a. Initial bond analysis and dataset used to develop spotlight section on A&R bond and market growth within global SoTM with a focus on EMDEs b. ?
Target	2027		a. Deep analysis on A&R bond dataset and initial trends used to develop full section on A&R bonds and market growth within global SoTM with a focus on EMDEs b. ?
Target	2028		a. Full dataset available and used to develop A&R SoTM b. ?

Output 2.4		Thematic market and specific policy research undertaken and published to identify risks, trends and opportunities for A&R market development in EMDEs and sectors and provide recommendations for action.	
Output indicator		a. Numbers and types of research and briefings produced and disseminated. b. Number of downloads of research and briefings	
Baseline	2025		a. 0 research and briefings published on A&R market growth opportunities and barriers b. 0
Target	2026		a. 3 research and briefings published on A&R market growth (1 research paper and 2 briefings) b. ?
Target	2027		a. ? b. ?
Target	2028		a. 1 research reports published b. ?

Output 2.5		Knowledge products for EMDEs developed and disseminated on CBRT and national taxonomy including guidance, tools, briefings for market stakeholders and the development of an online platform to increase the accessibility and usability of the CBRT for EMDE stakeholders	
Output indicator		a. Number of tools developed relevant for EMDEs b. Number of toolkits published with free access for users in EMDEs.	
Baseline	2025		a. No types of knowledge products available b. No toolkits published
Target	2026		a. 5 products available (1 resilience taxonomy guidance and explainer developed and contextualised to EMDEs and 4 sector toolkits) b. 4 sector toolkits published on on-line platform
Target	2027		a. 4 additional thematic and sector toolkits developed b. 4 additional sector toolkits published (8 in total)
Target	2028		a. 0 additional toolkits developed b. 8 thematic toolkits available on on-line platform
Output 2.6		Effective communications and investor engagement campaign - strategic and targeting A&R market growth in EMDEs	
Output indicator		a) Number and types of events and convenings held for and focused on A&R b) Number and types of stakeholders participating in those events	

Baseline	2025		a. 0 b. 0
Target	2026		a. 0 b. 0 Communications and marketing strategy developed.
Target	2027		a. 2 conferences (1 global and 1 regional) with A&R focused events b. ?
Target	2028		a. 1 conference b. ?

6. Budget (DKK)

Output	Year 1	Year 2	Year 3	Total
1.1 A local resilience taxonomy country X	6.364.089	6.944.210	861.987	14.170.286
1.2 Country X issuers exchange knowledge with the ecosystem of financial stakeholders	868.383	1.054.573	606.195	2.529.151
1.3 Collaboration and knowledge exchange between stakeholders in country X	788.733	1.068.124	915.896	2.772.753
1.4 Strengthened capacity of issuers in country X	573.930	551.691	353.965	1.479.586
2.1 Global CBRT further developed	2.429.469	2.677.903	1.949.553	7.056.925
2.2 Adaptation Investment Tracker created for EMDEs	1.423.251	1.678.868	1.277.820	4.379.939
2.3 Annual State of the Market research report with a focus on EMDEs	824.031	790.568	527.282	2.141.881
2.4 Policy research for A&R market development in EMDEs	777.870	1.016.310	523.987	2.318.167
2.5 Knowledge products for EMDEs developed and disseminated on CBRT	1.025.604	1.253.231	1.131.036	3.409.871
2.6 Communications and investor engagement campaign targeting A&R market growth in EMDEs	1.266.039	1.369.806	2.452.515	5.088.359
TOTAL	16.341.399	18.405.283	10.600.237	45.346.919
Audit	40.000	40.000	40.000	120.000
Contingency 10%	1.634.140	1.840.528	1.060.024	4.534.692
TOTAL DKK	8.015.539	20.285.811	11.700.260	50.001.610

The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed between the parties. The implementing partner is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

7. Project management, reporting and monitoring

7.1 Project management and reporting

The management arrangement must aim to ensure adequate reporting, dialogue, learning and timely decisions about the project, including possible adaptations to ensure achievement of agreed outcomes.

The project will be implemented and managed by Climate Bonds, which will report to the MFA through annual progress and financial reporting. Annual donor meeting will be held in April each year to present and discuss results from the annual progress report submitted at the end of March and to approve budget and workplan for the year. The annual donor meeting will from Climate Bonds involve Deputy CEO, CEO, Head of Programme, Project Manager, Key delivery managers from Climate Bonds to speak to emerging outcomes and specific impacts that are expected. Quarterly or ad-hoc meetings between the MFA and Climate Bonds Head of Programme and Project manager will be held if needed.

Within Climate Bonds, annual project work plans will be developed at the beginning of the project and revisited each year. Weekly monitoring from project manager reporting to programme manager with feedback and results driving adaptive management and revisiting workplans throughout the year. Monthly dashboard reports to senior leadership and annual progress and financial reports for the donor.

The MFA will conduct a mid-term review of the project in the first half of 2028.

Climate Bonds Reporting Schedule:

Report	Deadline	Contents
Inception report	31 March 2026	Description of project organisations and Work plan for 2026.
Audited accounts 2025	30 June 2026	Annual accounts for 2025 (since start of grant)
Annual progress and financial report	31 March 2027	Covering January – December 2026
Audited accounts	30 June 2027	
Annual progress and financial report	31 March 2028	Covering January – December 2027
Audited accounts	30 June 2028	
Final Results Report and annual progress and report	31 March 2029	Covering the entire project duration.
Audited accounts	30 June 2029	

Note: Project start date: 1. December 2025.

Within Climate Bonds the project will be managed as part of the overall adaptation and resilience programme as indicated in the figure below.

Figure 1: Organisational set-up for the project within Climate Bonds



7.2 Monitoring, evaluation and learning

Procedures for monitoring and learning in the project will be integrated in Climate Bonds's overall monitoring, evaluation and learning (MEL) set-up:

- During the inception phase, a clear LogFrame and Risk, Assumptions, Issues and Dependency (RAID) log will be elaborated, co-created by delivery team and leadership to identify and track risks and progress. Specific (biannual) check points will be established to discuss progress and scan horizon for upcoming opportunities and threats and to determine whether adaptive changes need to be made to workplan, outputs or objectives.
- Based on the results framework of the project document, baseline data needs will be established, as will collection methodologies, data management and responsibilities agreed, time and budget resources allocated.
- During implementation, there will be weekly meetings between project manager, project coordinator and each delivery team across Climate Bonds to discuss progress against the workplan, plan upcoming work activities, identify opportunities for support, cross learning and support.
- Resilience Communities of Practice will be established to bring team members across Climate Bonds working on resilience together – these will be led by the Programme Manager and are intended to act as a forum for cross-team learning, sharing, updates and specific upskilling on the new taxonomies. These are already established in Climate Bonds for our agriculture, energy and industry teams focused on decarbonisation.
- Weekly meetings between Programme Manager, Project manager and project coordinator to discuss spend against budget, upcoming budget pipeline, progress against workplan and specific deliverables, determine whether any new opportunities for impact are developing, risks are emerging, problem escalation is required or changes to workplan needed.

- Monthly meetings between Programme Manager and steering committee to discuss progress against workplan, upcoming identified opportunities, risks, challenges, issues and dependencies.
- Monthly meeting with programme, project and key delivery managers to share knowledge, establish progress, identify additional cross team opportunities or risks.
- Monthly email bulletin update to all delivery team members on progress of the project to date, major milestones, new learnings and opportunities.
- Biannual full project reviews undertaken with key delivery owners to establish progress, identify additional cross team opportunities or risks, undertake horizon scanning and cross learning.
- Annual progress reviews completed against all agreed deliverables and using agreed indicators. Written report shared internally across team and with donor.

In accordance with Danida aid management guidelines, changes in project output formulation or targets need approval by the MFA at the annual meeting. Budget reallocations between project outputs above 10% of the output budget require prior approval from the MFA. Budget reallocations below 10% should be reported in the annual report.

The MFA shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project and reserves the right at any time during or after completion of the project to carry out evaluations.

8. Financial management and reporting

[To be completed in Project Document]

Procedures and minimum requirements pertaining to:

- (i) Disbursements
- (ii) Climate Bonds procedures pertaining to financial management, including anti-corruption measures
- (iii) Procurement
- (iv) Financial reports, including final financial audited report
- (v) Accounting and auditing [an annual audit statement is required]

Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures, while respecting sound international principles for financial management and reporting.

9. Risk Management

The table below includes a summary of the risk analysis and risk response for contextual, programmatic and institutional risk factors for the partnership with Climate Bonds.

Climate Bonds Risk Management Matrix (draft)

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Government priorities change	Unlikely	Major	Broaden ecosystem partners	Insignificant	Pilot country selection will be undertaken with a political analysis lens, however over a 4 year project there may be political changes and the impact of the current US administration is being felt widely.
Appetite of market actors	Likely	Major	Build local market	Insignificant	After many years of low interest rates in the debt market, rising rates following COVID have increased the debt distress of many low-income countries. The current increase in import tariffs and protectionism may also affect country's \$ earnings and willingness / ability to repay debt.
Project perception as external	Likely	Minor	Responsive to local needs and ensure aligned with local priorities – demand driven	Insignificant	The work to localise these resilience measures will be based on the priorities defined by national and local actors in their NAPAs and taxonomies.
Increased debt distress	Unlikely	Major	Emphasis on building local currency markets and national investors	Minor	International investors are interested in EMDE markets as they offer high yields. However, international \$ denominated debt increases debt distress risks as repayments can increase significantly
Inadequate understanding of local context	Unlikely	Major	Emphasis will be placed on building a local network and securing local consultancy support when we are not able to hire a permanent representative in-country.	Minor	The impact of the project depends on uptake from local stakeholders, influenced by levels of trust and the length of the relationship.

10. Closure and exit

This 30-month partnership with Climate Bonds will bring the development of the CBRT forward and make it more relevant for developing countries. It will result in increased public awareness about

adaptation and reliance aspect of green bonds and catalyse further investments in this area. Climate Bonds will be in a position to attract additional donor funds to expand the work during and after the Danish funding. Only about 50% of Climate Bonds income is based on donor grants, the remaining comes from Climate Bonds services, such as training, certification, data services, awareness and public information work. The development of the CBRT will put Climate Bonds in a position to expand the income base from these sources.

In the pilot country, the development of a localised resilience taxonomy and the increased capacity and awareness in the bond finance ecosystem will allow the country to mobilise an increased level of funding for their adaptation and resilience programmes, which will provide a social economic return.

Annexes

Annex 1: Context Analysis – TBD in project document

Annex 2: Partner Assessment - enclosed

Annex 3: Theory of Change and Result Framework – TBD in project document

Annex 4: Risk Management – TBD in project document

Annex 5: Budget Details – TBD in project document

Annex 6: List of Supplementary Materials - TBD in project document

Annex 7: Plan for Communication of Results - TBD in project document

Annex 8: Process Action Plan for Implementation - enclosed

Annex 9: Signed table of appraisal recommendations and follow-up actions taken - TBD in project document

Annex 10: Example of analysis of Pilot Country

Annex 11: Labelled bonds issued by country

Annex 2: Partner Assessment

1. Climate Bonds legal status and board/trustees

Climate Bonds is a company limited by guarantee and a registered charity. The Trustees are also the Directors of the charitable company for the purpose of company law. The Trustees of the company are listed on the website here: [Board of Trustees | Climate Bonds Initiative](#).

2. History of Climate Bonds development

Climate Bonds was launched in 2010. Since then, Climate Bonds has developed science-based eligibility criteria for more than 35 decarbonisation sectors, including hard to abate industries, providing definitions for Paris-aligned green and transition investments. These have supported the rapid growth of labelled bonds, driving market growth to nearly USD 6 trillion in aligned issuance as of Q2 2025. These eligibility criteria and associated frameworks have in turn been used successfully by Climate Bonds to develop more than 20 taxonomies globally, including the EU, Rwanda, Brazil, Senegal, and Malaysian taxonomies.

3. Climate Bonds staffing

The table below indicates the staffing of Climate Bonds over the last three years.

	2023	2024	2025
Staff category (SLT)	8 (72%) female, 3 male	9 (72%) female, 3 male	10 (77%) female 3 male
Staff category (Head)	12 (63%) female, 7 male	13 (72%) female, 5 male	13 (78%) female 4 male
Staff category (other)	68 (61%) female, 42 male	59 (65%) female, 30 male	58 (71%) female 32 male
Total	140 (88 female, 52 male)	119 (81 female, 38 male)	120 (81 female, 39 male)

4. Climate Bonds strategy

The current strategy runs until the end of 2025 and is built on three objectives that will drive towards achieving our mission, with each objective underpinned by a set of goals and cross-cutting tactics.

- Inspire investors to support the transition to a green and resilient future.
- Catalyse the growth of a large and credible finance market that is aligned to 1.5°C and resilient economies.
- Influence governments to tilt the playing field towards green and resilient investments.

Climate Bonds is currently working to review and update its strategy, incorporating learnings from past programmes and projects as well as assessing opportunities in the market. A draft strategy is expected to be ready by September 2025. We will be able to share more details as the work progresses.

5. A&R programme: Origins, achievements so far

The sustainable debt market has mobilized nearly USD 6 trillion through green, social, and sustainability-linked bonds (GSS+). However, despite this impressive growth, two critical challenges persist: an insufficient supply of eligible projects and a limited focus on adaptation and resilience (A&R). Climate Bonds A&R programme seeks to address these challenges by integrating A&R into the labelled bond universe. Climate Bonds launched its Resilience White Paper in 2019 which presents a blueprint for the development of a climate resilience classification framework (hereafter referred to as the climate resilience framework or “the Framework”), with the primary objective of promoting and facilitating the much-needed investment in climate resilience through capital markets. The Climate Bonds Resilience Taxonomy (CBRT) underpins these efforts. By providing clear criteria to identify eligible A&R projects, the CBRT aims to boost investor confidence, reduce greenwashing risks, and ultimately accelerate capital flows from the \$130 trillion capital market to meet A&R needs and foster resilient economic growth. The publication of the first version of the CBRT in September 2024 marked an initial milestone, yet further development, and more crucially, localised pilot work are critical to ensure its use and maximize its impact, including by refining its framework and methodology, driving adoption through developing user guidance, and building the market.

6. Lessons identified

Climate Bonds has been working for more than a decade to build a credible green and sustainability debt market. Over that time the organisation has evolved significantly in response to results and identification of strategic gaps. Based on the lessons learned over the past 10 decade the Climate Bonds Strategy was developed that works across the whole market from issuer to investor to policy maker, targeting the needs of each in building a credible universe of sustainable finance. The strategy of the resilience programme is aligned with the overall approach of Climate Bonds and based on the successes that Climate Bonds has seen to date. Specific lessons that have informed the design of the programme include:

1. Stand-alone projects struggle to bring impact at scale due to poor interconnectivity and lack of cross team and project learning. This has been designed as a strategic programme that addresses all elements of Climate Bonds’ overall strategy in a holistic manner to drive impact and scale.
 - a. Early work in Climate Bonds was often done on a project basis with a defined start and end date and little integration into the overall work and learning of the organisation. The approach piloted through the Transition Programme which started in 2020 is comprehensive, building an overall strategic framework with large scale goals, objectives and outputs which multiple projects then align with and feed into. As the projects are part of a cross-cutting whole, cross team learning and results are built into the governance structure.
2. Climate mitigation guidance is based on top down, global, sector-based decarbonisation pathways to maintain emissions within the global carbon budget. However, resilience needs to be locally defined within a globally understood structure as climate impacts and vulnerability are contextual.
 - a. The resilience programme has intentionally developed an overarching resilience taxonomy with a standardised global structure to provide a common language whilst providing for the granular development of specific measures, investments, thresholds and metrics at national and local level, guided by national priorities.

3. Analysis-based stakeholder engagement and management is a necessary, long-term element that needs to include all market actors.
 - a. Previous projects did not emphasise the issuer, instead focusing on investors as the main stakeholder. This has been successful in building investor appetite for the tools and frameworks but has not addressed the lack of credible pipeline projects or the appetite of issuers to come to the market. The resilience programme has a large and intentional engagement and support strategy in place, build across the programme and within projects to support issuers to develop and identify pipeline projects.
4. It is necessary to both emphasise risks of inaction as well as define benefits of action, a purely risk-based approach has limited value for all stakeholders.
 - a. Many financial actors have short time horizons where risks may not be felt before the term of the debt. Longer term risks of stranded assets, climate impacts, and market perception do not move the needle on these actors. The benefits of action must be emphasised instead.

7. Funding sources:

Income (GBP '000s)	2022	2023	2024
Grant Income (Philanthropic)	2,756	4,753	4,394
Grant Income (Public)	896	724	694
Contract Income	341	733	1,484
Data Services	1,206	1,232	1,234
Certification	493	385	446
Reports and events	765	471	362
Training and technical assistance	343	485	809
Other income	26	18	82
Total	6,826	8,801	9,505

Climate Bonds relies on a mixture of funding sources, including primarily restricted income (philanthropic grants, contracts) and primarily unrestricted income (commercial income from services including certification services, training/technical assistance, data services etc).

Climate Bonds' primary source of income is grants from philanthropic sources from a range of donors, including Children's Investment Fund Foundation (CIFF), Gordon and Betty Moore Foundation, Growald Foundation, Herlin Foundation, Laudes Foundation and Tara Foundation amongst others. Climate Bonds has been a major contributor to the development of the EU Sustainable Finance Taxonomy, which has raised the organisation's profile as a trusted provider of taxonomy services, which has in turn led to a sharp increase in the number of commercial taxonomy contracts, and thus contract income, Climate Bonds has been awarded from organisations including GIZ, UNEP, the Monetary Authority of Singapore and the Australian Sustainable Finance Institute.

The Climate Bonds Standard and Certification Scheme is a labelling scheme for Entities, Assets, bonds, loans & other sustainability-linked debt instruments. Rigorous science-based criteria ensure that it is consistent with the goals of the Paris Climate Agreement to limit warming to 1.5 degrees. The Scheme is used globally by bond issuers, governments, investors and the financial markets to prioritise investments which genuinely contribute to addressing climate change. Certification services are fee-based services

Climate Bonds provide to companies wanting to be certified under the Climate Bonds Initiative's Climate Bonds Standard & Certification Scheme.

Climate Bonds' data services are fee-based services that include direct access to the most comprehensive and climate relevant datasets, coupled with key insights and engagement with experts in green climate finance.

8. Climate Bonds MEL system

Monitoring, Evaluation and Learning (MEL) is an evolving practice at Climate Bonds. We are keen to have an increased focus and commitment to strengthen our impact culture, where we are committed to positively engaging with monitoring and evaluation findings to reflect and change based on evidence.

Climate Bonds will take significant measures to ensure that the project's implementation is accompanied by appropriate systems of monitoring, evaluation and learning so as to ensure that: adaptive management is possible for maximal effectiveness and impact of the intervention; evidence of change is generated to report back to its funders, and to guide future programming; and that all key stakeholders have the knowledge about, and access to, methods by which to communicate feedback back to the organisation.

For medium/large scale projects, a MEL framework with indicators of success are defined during the inception phase, and relevant data and evidence (means of verification) will be gathered on a regular basis to report against the MEL framework. Having regular evaluation points, including external evaluations of our work, will allow us to do a deep dive into our specific areas of focus and work, and will enable us to better illuminate and help inform our thinking with new pieces of work.

Indicator data gathered is analysed and used to inform project reviews and any funder-specific reporting processes. Capturing lessons learned throughout the project lifecycle is also critical to evaluating and informing the adaptive programming approach.

We will ensure review processes using monitoring and evaluation data and evidence gathered from the organisational, and project specific level to evaluate progress against our plans, identify areas of success and improvement over the course of time, and create a space for the Climate Bonds' project and programme teams, accountability committees, Board, and the wider organisation to regularly explore what this means for the work we do. These reviews will be critical to our programmatic adaptive model, to inform decision-making, adjust plans and identify learning opportunities for the organisation as we continually learn, adapt, and grow.

A project management system is also used to ensure effective monitoring of the workplans and risk monitoring. Climate Bonds regularly monitors projects progress and performance and ensures all internal and external deadlines and milestones are achieved.

Climate Bonds financial management capacity self- assessment

Based on the Danida AMG template, Climate Bonds International has submitted the following self-assessment regarding their financial management capacity. The assessment covers six areas: budgeting, accounting, internal controls, governance and staff, financial reporting and auditing. Climate Bonds International fulfill the minimum requirements stipulated by the MFA, except in relation to keeping electronic scanned copies of supporting documentation, instead of physical copies. The assessment does not raise concerns about Climate Bonds' financial management capacity.

#	Financial management capacity assessment <u>Minimum requirements of the assessment are underlined</u>	Y/N	Comments
Budgeting Budgeting is a planning and decision-making tool that allows the management and the organisation to estimate the cost of planned activities, control cost, measure performance through the comparison of actual cost against budget, and enforce financial accountability.			
1.	<u>Budgets are prepared for all the costs running the organisation/engagement.</u>	Y	
2.	<u>Project budgets are based on the cost of planned activities.</u>	Y	
3.	<u>Budgets are accrued into quarters across all project/programme activities.</u>	Y	
4.	<u>Project budgets are prepared in accordance with the structure of the results framework/log frame.</u>	Y	
5.	Both finance and programme/technical staff are involved in setting budgets to ensure that budgets are based on both financial and technical skill and knowledge.	Y	
6.	Budget reallocations are aligned with results framework/log frame revisions and created in collaboration between the staff responsible for activities and finance staff.	Y	
7.	Budget reallocations are approved by officers responsible for project activities.	Y	
8.	Budget sheets include explanatory notes and clear calculations which ensure transparency in the basis for the budget.	Y	
9.	A separate budget is prepared for core costs (overhead).	Y	
10.	Budget codes/lines match or correspond to accounting codes to allow for tracking actual against expected spending.	Y	
11.	The type and number of budget lines used reflect the organisation and complexity of the organisation.	Y	
12.	A cash flow forecast is prepared every month to allow for monitoring of cash flow for operational costs.	N	Forecasts are prepared quarterly to monitor available reserves.
13.	Budgeting has been reliable and accurate in the past (few or no material budget overruns, reputation for having robust budgeting procedures or the like.	Y	
Accounting The purpose of accounting is to provide reliable information about cost and expenditure. This is done through application of a relevant accounting system, accounting policies and standards. Accounting supports both controlling, reporting and auditing of the financial performance of the organisation.			

<i>Basic accounting system</i>			
14.	<u>A standardized electronic/computerized accounting system is in place and used</u>	Y	Xledger
15.	<u>The accounting system can deliver relevant data for reporting purposes, for instance through extracts of raw data to Excel for analysis and reporting.</u>	Y	
16.	<u>The accounting system only allows access for authorized users.</u>	Y	
17.	<u>The accounting system logs all entries.</u>	Y	
18.	<u>The accounting system has a reliable and regular back-up system</u>	Y	
<i>Accounting practices</i>			
19.	<u>Every payment made has supporting documentation providing evidence.</u>	Y	
20.	<u>Original vouchers, original invoices and original signed receipts document all expenditures.</u>	N	Electronic scanned copies are attached in the accounting system
21.	<u>All accounting and supporting documents are retained and kept safe for up to ten years</u>	Y	
22.	<u>All cash received is recorded (preferably in electronic accounting system or alternatively on pre numbered carbon copy receipts) and deposited in Bank OTHERWISE cash or cheques cannot be used.</u>	Y	No petty cash.
23.	<u>All payments and receipts are recorded (in the electronic accounting system or alternatively in cashbooks).</u>	Y	
24.	<u>A standard chart of accounts is used to classify each transaction.</u>	Y	
25.	<u>Transactions are also classified by project or donor using a standard list of cost centers or other accounting system dimensions.</u>	Y	
26.	<u>The funds received from MFA are to be kept in a designated bank account or alternatively the designated ledger account must be established.</u>	Y	
27.	<u>A bank reconciliation is prepared each month for every bank account.</u>	Y	
28.	<u>A cash reconciliation is witnessed by senior staff and recorded each month</u>	Y	No petty cash.
29.	<u>Petty cash records are checked every month, must be checked by a different person than the one who keeps them.</u>	N/A	
30.	<u>The organisation keeps track of amount owed to others and owed by others.</u>	Y	
31.	<u>An accounting manual/policy is used and maintained specifying accounting procedures, roles and segregation of duties.</u>	Y	
32.	<u>Accounting practices follow local legislation or international standards.</u>	Y	
Internal Controls			
The purpose of internal controls is to safeguard assets, make sure that accounting records are accurate and prevent and detect fraud and errors. Essential internal controls include separation of duties, authorization and reconciliation. It can be relevant to include an audit of the internal controls in the audit of the financial statements (this will often be part of the auditor's work to produce an opinion in a financial audit).			
33.	<u>Segregation of duties is implemented and adhered to (segregation of duties means that e.g. money handling duties are separated from the record keeping duties, purchasing duties are separated from payment etc.).</u>	Y	
34.	<u>All fixed assets owned by the organisation are controlled using a fixed assets register stating at least asset tagging code, purchase price, location and book value.</u>	Y	Manual FAR is maintained on excel

35.	<u>Periodic physical inventories of assets or stocks are carried out against fixed asset list or inventories.</u>	Y	Only laptops
36.	<u>There is a written policy detailing who can authorise expenditure of different types or value.</u>	Y	
37.	<u>All transactions are properly authorised by signatures.</u>	Y	
38.	All expenses are properly signed and documented with the application of purpose and participants.	Y	
39.	Assets are sufficiently insured given a cost/benefit evaluation (only applicable for non-governmental partners)	Y	
	<i>Cash management</i>		
40.	<u>Cash is kept safely, e.g. in a locked cashbox or a safe, and is in the custody of authorized individuals.</u>	N/A	
41.	<u>All cheques are signed by at least two signatories and no blank cheques are ever signed.</u>	N/A	
42.	<u>Proper controls are built into banking arrangements, e.g. authorization of disbursements and payments, double signatures on checks and transfers, conduct of regular bank reconciliations etc.</u>	Y	
43.	<u>Appropriate controls over management of cash is in place, including limits to the amount of cash held OR no cash is held.</u>	Y	No cash is held
<i>Staff expenses</i>			
44.	<u>Staff and payroll records such as contracts, salary statements, etc. are in place.</u>	Y	
45.	<u>Staff salaries are checked each month by a senior manager.</u>	Y	
46.	<u>Statutory deductions (e.g. payroll taxes) are properly made and paid on time.</u>	Y	
47.	Expenses claims for staff advances are checked by the same person who authorized the advance.	Y	
48.	Time sheets are used to document hours.	N	Unless specifically requested by funder.
<i>Procurement</i>			
49.	<u>A procurement manual covering request, authorization, selection of suppliers, order, receipt and payment when purchasing goods and services is used and maintained.</u>	Y	
50.	<u>Different steps of the procurement process (e.g. order, receipt and payment) are shared among different staff members.</u>	Y	
51.	A description/manual on different methods of procurement and tendering and when these are to be used is in place.	Y	
52.	A code of conduct exists to avoid occurrence or perceptions of conflicts of interest in relation to procurement and tendering.	Y	
Governance and staff			
The financial management of an organisation is supported by governance structures and competent staff. All business and financial processes need to be supported by governance, organisation and skills.			
53.	<u>A written procedure manual covering finance, procurement and HR is in place, used and regularly updated.</u>	Y	
54.	<u>The organisation is financially viable and sustainable.</u>	Y	
55.	<u>Staff roles are clearly defined, and the staff members are aware of their roles and responsibilities and of the organisation's policies and procedures.</u>	Y	
56.	<u>Management is involved in the financial management of the organisation/projects or programmes.</u>	Y	
57.	The partner has adequate policies and procedures in place to guide personnel activities and assure staff accountability.	Y	
58.	All planned operational costs are adequately funded.	Y	

59.	Different roles in the finance function are clearly defined, known and followed.	Y	
60.	The organisation has the necessary registration, authorization and mandate to undertake planned activities.	Y	
61.	An anti-corruption policy including a section on handling and protection of whistleblowers is in place, used, and regularly updated and shared with staff.	Y	Update in progress
Staff Skills			
62.	<u>Key financial positions are held by qualified and competent personnel. Qualifications and competences are documented and match the size and complexity of the organisation.</u>	Y	
63.	<u>The finance staff have the specific skills and qualifications needed to carry out all financial activities. Skills and qualifications are documented and match the size and complexity of the organisation.</u>	Y	
64.	<u>A person with ultimate responsibility for the financial management, including for the MFA grant, is clearly identified and this person has the appropriate skills, experience and qualifications.</u>	Y	
65.	Managers and technical/programme staff have the relevant skills to manage budgets and budget monitoring. This includes training in budgeting and experience with budgeting and monitoring.	Y	
Sub partners			
66.	<u>The organisation has procedures in place to assure transparency and accountability where funds are transferred to sub-partners.</u>	Y	
67.	<u>The organisation has mechanisms for assessing the financial capacity of sub-partners.</u>	Y	
68.	The organisation has previous experience with grants/disbursements to sub-partners.	Y	
Financial reporting Management needs continuous financial reporting to oversee the finances of the organisation to monitor and make decisions regarding the activities of the organisation and projects. Proper financial reporting is essential in being able to communicate financial and technical results to management and donors.			
69.	<u>Senior management discuss financial reports at least once every three months.</u>	Y	
70.	<u>Donors and/or management receive financial reports in the right format and on time.</u>	Y	
71.	<u>The organisation meets statutory reporting requirements.</u>	Y	
72.	<u>Financial reports include details on income and expenditure, actuals and budget and deviations between actuals and budget.</u>	Y	
73.	<u>Financial reports are accrued into quarters or less.</u>	Y	
74.	<u>Financial reports include details on cash and bank balances, amounts due and owed.</u>	Y	
75.	Project management discuss financial reports monthly.	Y	
76.	Financial reports show the relevant level of detail according to their use/the need of their intended audience.	Y	
77.	Financial reports include explanations and comments about deviations made by project responsible staff.	Y	
Auditing Auditing verifies the accuracy of financial statements and the accounting practices and internal controls of the organisation. Auditing builds trust and transparency.			
78.	<u>The organisation is subject to regular audits.</u>	Y	
79.	A properly registered and independent external auditor/audit firm is selected and used.	Y	

80.	Annual accounts are audited according to appropriate international auditing standards, i.e. IASs and ISSAIs.	Y	
81.	Annual audited accounts are without material misstatements.	Y	
82.	The organisation is deemed a going concern by the auditor.	Y	
83.	Annual audits are up-to-date (signed within six months of the financial year-end).	Y	
84.	The organisation reacts on auditor's reports, comments and recommendations and implements relevant changes.	Y	
85.	Major issues in management letters from the auditor are subsequently followed up and addressed by management.	n/a	No major issues.

Annex 8: Process Action Plan [draft]

Activity	Deadline	Responsible
Recruitment of consultants	March 2024	MFA
Interviews and field visit London	1 April	MFA, Consultants
Interviews and field visit, NDF Helsinki		
	14 April	MFA, Consultants
Drafting of Concept Note	1 April – 15 May	Climate Bonds, NDF, Consultants
Concept note submitted for to MFA	22 May	Consultants
KLIMA Submission of concept note to Programme Committee	3 June	MFA
Written comments from the Programme Committee	13 June	MFA
Programme Committee Meeting	17 June	MFA
Follow up interviews	June	Consultants
Submission of draft PD to KLIMA	24 June	Consultants
Consolidated comments from KLIMA	26 June	MFA
Final documentation submitted by consultants	29 June	Consultants
KLIMA submits PD to appraisal	30 June	MFA
Appraisal	30 June- 29 August	Appraisal Team
Appraisal team present initial findings to KLIMA and consultants. Revision of documents initiated.	29 August	Appraisal Team
Appraisal submit draft appraisal report	29 August	Appraisal Team
KLIMA submits consolidated comments to appraisal report	5 September	Climate Bonds, NDF, Consultants, KLIMA
Confirm agenda item for 2 October meeting in Council for Development Policy	18 September	MFA
Appraisal team submit final appraisal report	12 September	Appraisal Team
Consultants submit revised version of PD	19 September	Climate Bonds, NDF, Consultants
Consolidated comments from KLIMA	26 September	MFA
Final version of PD	10 October	Consultants
KLIMA submits final draft PD for approval by the Council (UPR) incorporating the findings and recommendations of the appraisal	13 October	MFA
Council for Development Policy	30 October	MFA

Annex 10: Example of analysis of Pilot Country

India: India is recognised as vulnerable to climate change impacts, ranked 105th out of 182 countries in the 2022 ND-GAIN Index². Both temperature and precipitation are projected to increase significantly under the representative concentration pathways published by the IPCC. Under the RCP4.5 scenario, India's average temperature is expected to increase by 3.27 degrees by 2099 (higher than the global average of 2.62) whilst under RCP8.5 this increase is estimated to be 5.33 by 2099 (compared with 4.31 for the global average).³

Climate change is projected to increase the hazards created by more intense storms, heat waves, landslides, water scarcity and flooding⁴ in India which create significant risks for critical sectors, particularly infrastructure and agriculture. Approximately 43% of the population is dependent on agriculture as their main employment source, a sector extremely vulnerable to changes in temperature and extreme weather events.⁵ As climate change impacts the stability of agriculture livelihoods, the ongoing shift away from agriculture and growing rural to urban migration will likely increase, placing additional pressures on urban infrastructure.⁶ Proactive planning for and financing of resilience and adaptation measures is critical to ensure the likely impacts are identified and mitigated as far as possible.

- **Rising Temperatures and Extremes:** By the end of the century, India's average temperature is expected to rise by 1.1°C–4.1°C above the 1986–2005 baseline, with the northern regions experiencing the most pronounced warming. Increased frequency and intensity of climate extremes, including droughts and heavy rainfall, are anticipated, exacerbating disaster risks.
- **Flooding and Health Impacts:** Without adaptation measures, extreme river floods could affect an additional 13 to 34 million people by the 2040s, and coastal flooding could impact 5 to 18 million people by the 2070s. Heat-related illnesses, diarrheal diseases, and malnutrition are projected to increase, disproportionately affecting vulnerable populations.
- **Agricultural and Urban Pressures:** Negative yield outlooks for staple cereal crops signal a need for major agricultural restructuring, including crop range shifts. Urban areas and infrastructure will face mounting challenges, particularly regarding water resource management and rising temperatures.
- **Social Inequities:** Climate impacts are expected to deepen existing inequalities, disproportionately affecting the urban and rural poor, those without assets, and marginalized groups. Without broad-reaching adaptation and disaster risk reduction efforts, poverty and inequities will intensify.

Opportunity Analysis

1. India has recently published an initial draft of their first national taxonomy
2. There is USD55Bn in outstanding credible (aligned with our database) labelled bonds, the 4th largest EM labelled bond market after China, South Korea and Chile.
3. Climate Bonds has an existing network with government, central bank and investors in India and a well established team working on the ground.

² <https://gain-new.crc.nd.edu/country/india>

³ https://climateknowledgeportal.worldbank.org/sites/default/files/country-profiles/15503-WB_India%20Country%20Profile-WEB.pdf

⁴ [Think Hazard - India](#)

⁵ <https://climateknowledgeportal.worldbank.org/country/india>

⁶ Chetan Choithani, Robbin Jan van Duijne, Jan Nijman, Changing livelihoods at India's rural–urban transition, World Development, Volume 146, 2021, 105617, <https://doi.org/10.1016/j.worlddev.2021.105617>

4. There are linked and supportive resilience initiatives working in India such as the Global Adaptation and Resilience Investment Group (GARI)

Barrier Analysis

1. ***Limited knowledge, understanding and awareness of key stakeholders of A&R tools and definitions to identify A&R projects.*** In India, analysis of adaptation and adaptation finance⁷ has found that approaches to urban and infrastructure adaptation is mostly reactive, focussed on disaster relief rather than risk identification and resilience building and has a high failure rate due to unsuitable project choices and poor planning. Whilst there is an urgent need to increase financing for A&R, it is critical that investments avoid maladaptation, wasting time and resources.
2. States hold the primary responsibility for adaptation-related interventions. A recently published report by the Climate Policy Initiative identifies that collective annual investment needs of six states alone amount to INR 444.7 billion (USD 5.5 billion) from 2021 to 2030⁸. However, at present, private adaptation finance is not flowing and state finances are under severe stress, preventing states from funding their adaptation investment needs. There are a number of barriers that have been identified to scaling up adaptation finance, including inconsistent regulatory frameworks, lack of common understanding around definitions, a need for concessional finance and lack of credible pipelines of projects in order to attract finance⁹.

⁷ Srinivasan, M., Ghoge, K., Haldar, S., Bazaz, A. B., & Revi, A. (2023, November 27). Climate finance in India 2023. Indian Institute for Human Settlements. <https://doi.org/10.24943/CFI11.2023>

⁸ <https://www.climatepolicyinitiative.org/publication/financing-adaptation-in-india/>

⁹ Anjanappa, Janardhana and Bhattacharya, Aritra, Assessing Barriers and Enablers for Scaling up Blended Finance in India For Financing Adaptation Projects (June 27, 2023). Available at SSRN: <https://ssrn.com/abstract=4493184> or <http://dx.doi.org/10.2139/ssrn.4493184>

Annex 11: Labelled bonds issued by country

Country	Development Bank	Financial Corporat	Government-Backed Entity	Local Government	Non-Financial Corporat	Not-for-profit	Sovereign	Grand Total
Cumulative aligned volume to 31.12.2024 in USD Bn								
China	63.98	275.31	26.77	3.80	185.65			555.52
South Korea	17.22	60.67	230.99		29.00		1.31	339.19
Chile	0.00	1.06	0.63		11.24	0.90	51.38	65.20
India	1.85	5.74	11.53	0.02	31.03		5.73	55.90
Mexico	15.29	4.78	5.75	0.36	9.30		20.39	55.87
Brazil	1.23	8.17	1.90		28.81		4.00	44.10
UAE	0.00	8.19	10.82		6.34		2.55	27.89
Saudi Arabia	0.00	5.67	14.21		7.70		0.00	27.58
Thailand	0.00	0.99	2.67		4.95		15.27	23.88
Philippines	0.36	8.68	0.00		3.07		5.46	17.56
Indonesia	0.00	1.00	1.96		2.88		11.48	17.32
Poland	0.00	4.30	0.05		8.29		4.26	16.90
Turkey	0.00	6.40	3.10	0.72	3.39		2.50	16.11
Peru	0.45	0.01	0.60		1.16	0.02	13.26	15.50
Malaysia	0.00	2.48	2.95		6.41		3.50	15.33
Taiwan (Province of China)	0.00	3.60	3.74	0.06	6.56		0.00	13.96
Hungary	0.00	0.69	0.00		2.51		7.01	10.20
Colombia	0.75	1.66	0.07	0.04	0.26		4.86	7.65
Romania	0.00	4.21	0.00		0.10		2.39	6.70
Slovenia	0.09	0.55	0.45		0.01		3.12	4.22
Czechia		3.19			0.97		0.00	4.16
South Africa	0.67	2.06		0.21	0.97			3.92
Argentina	0.03	0.17	0.00	0.62	2.62	0.01	0.43	3.88
Israel		1.00			0.79		2.00	3.79
Russia		0.30	1.31	0.95	0.72			3.29
Serbia			0.11				2.67	2.78
Vietnam		0.26	0.22	0.00	1.94			2.43
Uzbekistan		0.58	0.54				1.23	2.35
Guatemala		0.75					1.30	2.05
Qatar		0.75	0.60		0.64			1.99
Ecuador		0.49			0.02		1.06	1.56
Slovakia		1.50						1.50
Mauritius		0.73			0.70			1.43
Egypt					0.10		1.23	1.33
Georgia		0.15	0.50		0.63			1.28
Ukraine			0.83		0.36			1.18
Andorra							1.17	1.17
Latvia			0.36		0.12		0.68	1.15
Cote d'Ivoire					0.02		1.10	1.12
Kuwait		1.00						1.00
Lithuania			0.69		0.12		0.08	0.89
Dominican Republic		0.01			0.06		0.75	0.82
Laos					0.79			0.79
Morocco		0.20	0.49		0.07			0.76
Costa Rica		0.05	0.63		0.03			0.71
Honduras							0.70	0.70
Benin							0.69	0.69
Croatia		0.63						0.63
Estonia			0.43		0.19			0.62
Panama		0.16			0.41			0.57
Pakistan			0.50					0.50
Kenya			0.30		0.09			0.39
Belize							0.36	0.36
Bangladesh		0.35						0.35
Paraguay	0.03	0.30						0.33
Zambia					0.30			0.30
Kazakhstan	0.02	0.00	0.27		0.01			0.29
Jordan		0.25						0.25
Nigeria		0.04			0.03		0.07	0.14
Montenegro			0.09					0.09
Barbados		0.01					0.07	0.08
Fiji							0.07	0.07
Ghana			0.02				0.04	0.07
El Salvador		0.06						0.06
Lebanon		0.06						0.06
Armenia		0.05						0.05
Albania					0.05			0.05
Trinidad and Tobago		0.04						0.04
Bolivia	0.01	0.03						0.04
Mongolia		0.01	0.03					0.04
Tanzania		0.01	0.02					0.03
Macedonia		0.02						0.02
Namibia		0.02						0.02
Seychelles							0.02	0.02
Uruguay		0.02						0.02
Cape Verde		0.01			0.00			0.01
Sri Lanka		0.01						0.01
Cambodia		0.01						0.01
Grand Total	101.96	419.45	326.12	6.79	361.37	0.92	174.19	1390.79