


















Climate-resilient Agriculture and Food Systems - Danish support to Additional Climate Contributions of IFAD (2025-2027)

<p>Key results:</p> <ul style="list-style-type: none"> - Climate change adaptation practises of small-scale farmers improved - Climate threats to food security reduced - Increased land under climate-resilient management - Climate finance channelled to agri-food systems and small-scale producers, especially in Africa <p>Justification for support:</p> <ul style="list-style-type: none"> - Supports an integrated approach to climate action and sustainable development in agri-food systems, promoting mainstreaming of climate adaptation and building of resilience against climate shocks in agricultural development - Addresses the challenge of insufficient climate adaptation finance reaching vulnerable countries and small-scale agriculture - Bridges the gap between climate financing and adaptation investment needs of small-scale agriculture, especially in Africa - Poor rural people and small-scale producers in developing countries are among the most vulnerable to climate change and its impacts, and yet are the most underserved by global climate finance. - Investments in agriculture and rural development are among the most effective means of addressing poverty and hunger and a critical pathway to deliver on the SDGs - The climate goals of the Paris Agreement cannot be achieved by development assistance or public investments alone. More innovative private investment models are needed, especially in the poorest and most fragile countries. Project will leverage private sector investments for climate adaptation <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - Lower-than-expected country interest in accessing ACC funds and levels of bankable projects. Risk mitigation: management focus on promoting ACC globally and locally. - Implementation through government institutions and systems may challenge coordination, learning and efficient implementation of climate adaptation. Mitigation: capacity building and continued decentralisation of operations - IFAD may not sufficiently be able to address organisational as well as project efficiency needs. Mitigation: Emphasis of Member State in the Executive Board. 	File No.	No 24/24124						
	Country	Global						
	Responsible Unit	KLIMA						
	Sector							
	Partner	IFAD						
		<i>DKK million</i>	2024	2025	2026	2027		Total
	Commitment	100	50					150
	Projected disbursement	50	50	50				150
	Duration	2025-2027						
	Previous grants	None for ACC. USD 150 m earlier replenishment core contributions. Ongoing DKK 190 m ASAP+ under CCDMP. Mali, Bangladesh & Uganda programmes total DKK 250 m						
	Finance Act code	§06.34.01.75						
	Head of unit	Karin Poulsen/KLIMA						
	Desk officer	Jette Michelsen						
	Reviewed by CFO	Jacob Strange-Thomsen						
	Relevant SDGs							
	 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			

Objectives

Increased climate resilience of small-scale farmers and food systems, with a special focus on Africa

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 million)	150			

Justification for choice of partner

IFAD's core mandate is agricultural development and building the resilience of the rural poor. IFAD's comparative advantage is its focus on small holder farmers and has a large outreach and reaches the most climate vulnerable. IFAD is successful in mobilizing climate finance and in leveraging development assistance funds. IFAD is well-positioned to respond to the critical global challenge of climate change. IFAD has a strong and partnership-based emphasis on Africa and on fragile states. IFAD is consistently rated as an effective and impactful organisation.

Summary

IFAD is establishing ACCs as a new form of voluntary additional core contribution with 100% earmarking to climate finance, addressing the severe underfinancing of climate finance directed to the most climate vulnerable small-scale farmers in the countries most in need. As climate top-ups, ACCs will be integrated into and benefit from IFAD's delivery capacity. ACC will be predictable funding to partner countries and add limited admin requirements. ACCs will enable IFAD as an international finance institution to multiply its resources available.

Budget

Outcome 1-3	129 million
Adaptability reserve	20 million
Reviews, studies etc	1 million
Total	DKK 150 Million

Danish support to

Climate-resilient Agriculture and Food Systems

through

Additional Climate Contributions (ACC) of the
International Fund for Agricultural Development (IFAD)

(2025-27)

PROJECT DOCUMENT

Draft
for public consultation and
Programme Committee discussion

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ANNEXES

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Annex 2	Partner Assessment
Annex 3	Theory of Change, Scenario and Result Framework (<i>not included in early draft</i>)
Annex 4	Risk Management (<i>not included in early draft</i>)
Annex 5	Budget Details (<i>not included in early draft</i>)
Annex 6	List of Supplementary Materials (<i>not included in early draft</i>)
Annex 7	Plan for Communication of Results (<i>not included in early draft</i>)
Annex 8	Process Action Plan for Implementation
Annex 9	Signed table of Appraisal Recommendations and Follow-up (<i>to be included in final project documents</i>)

ABBREVIATIONS

ACC	Additional Climate Contributions for IFAD13
OAU	Office of Audit and Oversight, IFAD
BRAM	Borrowed Resources Access Mechanism of IFAD
CCA	Climate Change Adaptation
CCDMP	Climate Change, Conflict, Displacement and Irregular Migration Programme in the Sahel - MFA
COSOP	Country Strategic Opportunities Programme
Danida	Danish International Development Assistance
DKK	Danish Kroner, 7 DKK ~ 1 USD
ERM	Enterprise Risk Management
IFAD	The International Fund for Agricultural Development
IFAD13	Thirteenth Replenishment of IFAD's Resources, 2025-2027
IFI	International Finance Institution
KLIMA	Department for Green Diplomacy and Climate, MFA
LEARNING	Department for Evaluation, Learning and Quality, MFA
LNOB	Leave No-One Behind
MDB	Joint methodology for tracking climate change adaptation finance
MFA	Ministry of Foreign Affairs, Denmark
MIGSTAB	Department for Migration, Peace and Stabilization, MFA
MSME	Micro, Small and Medium Enterprises
PBAS	Performance-Based Allocation System of IFAD
PoLG	IFAD Programme of Loans and Guarantees
RDE	Royal Danish Embassy, Rome
RMF	Results Management Framework of IFAD
RIDE	Report on IFAD's Development Effectiveness
RIME	Report on IFAD's Mainstreaming Effectiveness
SIDS	Small Islands Developing States
SDG	Sustainable Development Goals
ToC	Theory of Change
TFP	Total Factor Productivity
UN	United Nations
VACS	Visions for Adapted Crops and Soil

1 INTRODUCTION

This draft project document has been prepared for public consultations and discussions in the Programme Committee. Based on the proceedings of the public consultation and the subsequent meeting of the Programme Committee on 18 June 2024, the project document will be further developed in accordance with the Process Action Plan (PAP) included in Annex 8.

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning a DKK 150 million grant for the project *Danish support to Climate-resilient Agriculture and Food Systems through Additional Climate Contributions (ACC) of the International Fund for Agricultural Development (IFAD)* for the period 2025-2027 as agreed between the parties: (1) The implementing partner IFAD and (2) the Department for Green Diplomacy and Climate (KLIMA) of the Ministry of Foreign Affairs (MFA), Denmark.

This project document will become an annex to the legal bilateral agreement between the two partners and constitutes an integral part hereof together with “the Documentation” specified below.

“The Documentation” refers to documentation for the supported Additional Climate Contributions (ACC) to IFAD13 2025-2027 interventions, i.e. “Report of the Consultation on the Thirteenth Replenishment of IFAD’s Resources: Investing in Rural Prosperity and Resilience for a Food-Secure Future” in general and its Annex VII on ACC in specific.

2 CONTEXT, STRATEGIC CONSIDERATIONS, RATIONALE AND JUSTIFICATION

2.1 Background for Danish Support

It is widely recognized that the next 5 to 10 years are decisive for achieving the Paris Agreement’s global climate goals and the 2030 Agenda’s Sustainable Development Goals (SDGs). To ensure an adequate adaptation response in the context of the 1,5°C goal set by the Paris Agreement, Parties have established the Global Goal on Adaptation (GGA) of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. At COP28, the UAE Framework for Global Climate Resilience¹ was adopted, to further enhance implementation of the GGA.

Despite increasing political attention and momentum for mobilizing adaptation finance globally, adaptation action remains severely underfunded. The latest UNEP Adaptation Gap Report² estimates that the need for adaptation finance is 10-18 times higher than the current financial flows. Public funding will not be sufficient, it will be important to also mobilize finance from the private sector and from innovative sources of finance for adaptation.

Denmark is committed to contribute to strengthening adaptation action and to help mobilize adaptation finance. The Danish Government has decided that in 2024 its climate aid will comprise 30 pct. of total assistance to developing countries, out of which 60 pct. will be prioritised for adaptation in some of the world’s poorest and most vulnerable countries.

¹ https://unfccc.int/sites/default/files/resource/cma2023_L18E.pdf

² Adaptation Gap Report 2023 | UNEP - UN Environment Programme

Agriculture and food systems are particularly vulnerable to climate change and there is an urgent need to enhance climate adaptation in agri-food systems, especially in vulnerable countries, including LDCs and African countries. Despite the significant importance of agriculture and food systems, only 4 per cent of total climate finance goes to agri-food systems³. Small-scale farmers in developing countries are disproportionately experiencing the effects of climate change and variability. However, only 0.8 per cent of total climate finance reaches small-holder farmers in developing countries although they are the backbone of agriculture and food production, particularly in the LDCs⁴.

In line with Denmark's development and climate policy priorities, this project therefore aims to support climate-resilient agriculture to boost productivity and improve food security in developing countries vulnerable to climate change, and with a particular focus on Africa. The project has been designed in consultation with a number of Danish representations presently cooperating with IFAD and is taking into consideration the lessons learned as well as findings of the recent MOPAN assessment (see Annex 2). Finally, this project has also been designed with a view to support the upcoming Danish Africa Strategy.

Denmark supports an integrated climate and development approach to adaptation, considering that climate adaptation and development must go hand in hand, building on synergies and avoiding siloes. The present project takes this approach, considering that a Danish contribution to IFAD through its new climate window, the ACCSs, will help mainstream and strengthen climate action in agricultural development in developing countries.

Denmark aims at strengthening its engagement in Africa, and in the African context to link better climate and development work. In line with its global commitment in 2024 for climate adaptation, the government expects to enhance its support for climate adaptation in African countries, including focus on adaptation in agriculture.

The choice of IFAD as partner for strengthening climate resilient agriculture and food systems is based on the fact that IFAD's core mandate is agricultural development and building the resilience of the rural poor. Moreover, IFAD already has experience to mobilize climate finance for vulnerable agricultural producers in 41 countries⁵. IFAD's comparative advantage, as recognized by Denmark and likeminded OECD countries, is its focus on small holder farmers. Thus, in its most recent assessment of IFAD, covering the period 2018 to 2023, MOPAN, which is an independent network of 22 member states, describes IFAD as well-positioned to respond to the critical global challenge of climate change⁶. Finally, IFAD operates as a global fund, but has a strong emphasis on Africa, with 60 per cent of its investments targeted Africa.

2.2 Context

The impacts of climate change on agriculture and food systems are already felt across Africa, Asia, Central and South America, and Small Islands Developing States (SIDS). Climate change is eroding agricultural production and food security. Projections on climate – which go hand in hand with developments in hunger and poverty - are alarming. Before 2030, the

³ The World Bank Group: Recipe for a livable planet. 2024.

⁴ Climate Policy Initiative: The Climate Finance Gap for Small-Scale Agrifood Systems. Nov. 2023.

⁵ IFAD: Climate finance to strengthen food systems: An opportunity for IFAD. EB 2022/137/R.2

⁶ MOPAN assessment of IFAD 2023, released Feb 2024.

global temperature rise is predicted to breach the critical 1.5 °C threshold, which will have severe and irreversible impacts on agricultural production, fisheries and the natural ecosystems on which most rural livelihoods depend⁷. Predominantly rural, small-scale producers in developing countries produce one third of the food consumed worldwide⁸. Yet they are among the most vulnerable to climate change and its impacts.

Climate change hampers developing countries' progress towards the Sustainable Development Goals (SDGs) and the commitment of ending poverty and hunger, “leaving no one behind”. Many low- and middle-income countries are ill-prepared to withstand climate shocks and struggling to make the investments required to get the SDGs back on track.

Achieving the goal of ending hunger by 2030 is ever more challenging. Over a quarter of a billion people – or 22.7% of the population in food-crisis countries - were acutely food-insecure and required urgent food assistance in 2023; a steady increase since 2018. Approximately 2.4 billion individuals, largely women and residents of rural areas, did not have consistent access to nutritious, safe, and sufficient food in 2022⁹. Extreme poverty also remains unacceptably high, at close to 700 million people affected. With current trends, in 2030 it is likely that 575 million people will still be living in extreme poverty and 670 million will still be facing hunger¹⁰.

In 2023, extreme weather events were the primary drivers of food insecurity in 18 countries where over 77 million people faced high levels of acute food insecurity, up from 12 countries with 57 million people in 2022. In 2023, the world experienced its hottest year on record and climate related shocks impacted populations, with episodes of severe floods, storms, droughts, wildfires, and pest and disease outbreaks¹¹.

Climate change is also exacerbating both water scarcity and water related hazards (such as floods and droughts). As about 70 per cent of freshwater is used for agriculture, water and food security are inextricably linked¹². New research reveals that almost 90% of global deforestation is driven by agricultural expansion, which is also the leading cause of habitat destruction¹³.

Food insecurity disproportionately affect people living in rural areas. Moderate or severe food insecurity affected 33.3 per cent of adults living in rural areas in 2022 compared with 26 per cent in urban areas¹⁴.

Women and girls experience the greatest impacts of climate change – and face special constraints in access to finance, increasing existing gender inequalities and threats to women's food security, and livelihoods. Women and girls make up the majority of poor and rely more

⁷ IPCC, 2022, Summary for Policymakers.

⁸ Small-scale producers have a critical role in local food systems. They produce between 30 and 35 per cent of the global food supply, and up to 70 per cent of food consumed in low and middle-income countries. IFAD: Rural Development Report: Transforming food systems for rural prosperity (2021)

⁹ Global Network Against Food Crisis: 2023 Global Report on Food Crisis

¹⁰ World Bank: Poverty and Shared Prosperity Report 2022

¹¹ Global Report on Food Crisis (0924)

¹² FAO: Water for Sustainable Food and Agriculture (2017)

¹³ <https://www.fao.org/newsroom/detail/cop26-agricultural-expansion-drives-almost-90-percent-of-global-deforestation/en>

¹⁴ <https://www.fao.org/sustainable-development-goals-data-portal/data/indicators/212-prevalence-of-moderate-or-severe-food-insecurity-in-the-population-based-on-the-food-insecurity-experience-scale/en>

on food and income thus directly depend on land and natural resources. They also tend to be less involved in decision-making, despite being main responsible for securing water, food, and fuel for cooking. Moreover, women also face particular constraints in regard to entrepreneurship and access to finance.

Africa - the continent worst hit by climate change - faces acute adaptation challenges, which underpins the fundamental relevance of the proposed Danish contribution. The impact of climate change includes decreased farm yields, lower animal growth rates and productivity in pastoral systems, changes in pest and disease outbreak patterns. These challenges can be also related to the loss and damage associated with climate change. Climate change has already reduced global agricultural total factor productivity (TFP) by about 21% and by 40% in many African countries since 1961¹⁵. In Africa, climate change is a key driver of food insecurity especially, where 20 per cent of the population are food insecure. The agricultural sector accounts for 35% of African GDP and the agri-food systems employ two-thirds of the workforce. Africa's rural small-holders and micro, small and medium-sized enterprises – highly dependent on natural resources - are most directly affected by the climate change impacts. Demographic growth and a growing middle class are estimated to further increase the demand for food which will increase the pressure on ecosystems and accentuate the need for a sustainable, green transformation of agriculture and food systems. In the African perspective, agrifood systems are the leading sectors for synergies across development and climate action¹⁶.

Currently, global climate finance is not reaching agri-food systems and small-scale producers at speed and scale. This is likely to undermine the international community's efforts to achieve many of the Sustainable Development Goals (SDGs), the goals of the Paris Agreement and the global biodiversity goals, and to sustainably feed the world's growing population. For rural small-holder agriculture to shift to climate adaptation strategies, a scale up is needed in adaptation investment. Without increased investments in climate adaptation, climate change will increasingly put pressure on agriculture and food production, undermining food security.

Investments in agriculture and rural development are among the most effective means of addressing poverty and hunger and a critical pathway to deliver on the SDGs, particularly in the poorest and most vulnerable countries. These investments could also unlock the potential of sustainable food systems, which could generate US\$4.5 trillion in new business opportunities every year. Food systems transformation could also create over 120 million decent rural jobs, help limit global warming and regenerate natural ecosystems and biodiversity¹⁷. Sustainable job creation is a special ambition of IFAD, especially in its private sector programme.

2.3 Implementing partner and aid modalities

Born out of the global food crises of the early 1970s, IFAD was established in 1977 as an international financial institution (IFI) to invest in agricultural projects in rural areas of the world's poorest countries. IFAD differs from the other two UN food agencies (the World

¹⁵ Ortiz-Bobea, A., Ault, T.R., Carrillo, C.M. et al. Anthropogenic climate change has slowed global agricultural productivity growth. *Nat. Clim. Chang.* 11, 306–312 (2021). <https://doi.org/10.1038/s41558-021-01000-1> and [Financing the agrifood system transformation – There is no lack of money to do it \(worldbank.org\)](https://www.worldbank.org/)

¹⁶ 37th session of the Assembly of the AU Heads of State and Government, High level side event on Climate finance for agriculture and food security: Implementation of Nairobi Declaration and outcomes of the UNFCCC COP28, 16 February 2024.

¹⁷ World Bank: Food Finance Architecture: Financing A Healthy, Equitable & Sustainable Food System (2021).

Food Programme (WFP) and the Food and Agriculture Organization (FAO)) in its function as a development finance institution. It finances projects that are country-owned, meaning its investment projects are embedded in the government's national strategy and run through government systems. Compared to other organizations investing in agriculture, IFAD works exclusively with small-scale farmers and requires that its programs focus on the poorest regions in the countries of operation.

IFAD's mandate is to transform rural areas by reducing poverty and food insecurity through inclusive agriculture and rural development. IFAD's comparative advantage lies in its focus on small-holder agriculture. IFAD is committed to ensuring that its climate-focused finance does not address climate change adaptation and mitigation in isolation, but rather seeks to build long-term resilience in rural communities¹⁸.

IFAD is engaging with countries on their Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). IFAD's newer country strategies are all incorporating analysis of the country's NDCs and NAPs and thus aim to align with national climate goals and plans¹⁹. In climate action on the ground, IFAD specifically engages in enhancing the use of climate-smart agricultural practices, crop diversification, drought-resilient crops, efficient irrigation techniques, sustainable land management as well as water management and agro-ecological and other innovative approaches. IFAD collaborates with national and local actors, including farmers' organisations and local financial institutions.

In its climate adaptation at country level, IFAD rolls out a gender-transformative approach, aiming for providing women with equitable access to adaptation knowledge and innovation²⁰

IFAD provides finance to developing member states through grants, concessional loans, ordinary loans, blended loans (including grants) or non-concessional loans; terms depending on country-level GNI thresholds.

IFAD is both a UN Specialised Agency and an IFI. IFAD is gradually expanding its private sector engagement, particularly with blended finance schemes for non-sovereign operations²¹, including innovating models for and promoting private sector climate finance.

IFAD's finance products aimed for lower and lower-middle income countries are financed through the replenishment of its resources by its Member States and increasingly also by loan repayments. IFAD are also provided concessional loan capital from a number of member countries. In addition, IFAD receives supplementary funding that typically are earmarked grants for specific countries or programmes and projects. As an IFI, and with a credit rating of A++, IFAD also uses borrowed market-term resources (typically issuing of bonds) which are typically used for semi-concessional loans to higher-income countries.

All IFAD finance products are directed towards initiatives that include significant co-financing by the governments, beneficiaries, private sector agents, other IFI and public

¹⁸ IFAD Climate Action Report 2022, p.8

¹⁹ IFAD: [Climate finance to strengthen food systems: An opportunity for IFAD](#). 2022

²⁰ See IFAD's Gender Transformative Mechanism

²¹ Such as the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) project, formulated and implemented by IFAD with Danish supplementary funding under the Uganda Bilateral Development Programme, in cooperation with the Nordic Development Fund, The Green Climate Fund, and the Government of Finland. See Annex 2 for more details.

development banks, etc. IFAD also mobilizes international climate finance from the Green Climate Fund, the Global Environment Facility, the Adaptation Fund and other sources of climate funding. The catalytic effect of such mobilization of additional resources is significant: the IFAD13 has a co-financing ratio target of 1:1.7.

IFAD operates with three-year planning and budgeting periods, and the next replenishment phase (IFAD13) will be for 2025-2027. The total planned amount of IFAD13 core replenishment is USD 2 billion. By May 2024, the total core replenishment pledges amounted to USD 1.35 billion. The planned climate finance share of IFAD13 is 45%, up from 40% in IFAD12 and 30% in IFAD11.

Novel to IFAD13 is the establishment of a new climate window, the Additional Climate Contributions. The aid modality for ACCs will be considered core contributions to IFAD but earmarked for 100% climate-related activities. A total budget frame of ACC is USD 150 million, of which IFAD expects to have confirmed pledges amounting to USD 100 million by August 2024.

The US Government has recently taken initiative to establish the Vision for Adapted Crops and Soils (VACS). The aim is to boost agricultural productivity and improved nutrition in rural communities of developing countries by better adapting crops and soils to the changing climate. VACS was launched in February 2023 in partnership with the African Union (AU), the Food and Agriculture Organization of the United Nations (FAO), and the Office of the U.S. Special Envoy for Food Security at the State Department, with a focus on the African continent. A VACS multi-donor trust fund has been placed within IFAD, and there has been broad political support for the VACS initiative from the governments of Norway, the UK, the Netherlands, and Japan.

2.4 Denmark and IFAD

Since IFAD was established in 1977, Denmark has provided more than US\$150 million in core contributions and presently finances US\$90 million as supplementary funds (see Table 1 below), placing itself among the top three donors of supplementary funds. Denmark has not provided core replenishment funding since 2015. In 2015, the Danish government decided on major cuts of its overall foreign development aid budget, due to expected costs associated with an increasing refugee inflow into Denmark. The budget reductions were cross-cutting, affecting bilateral country programmes, multilateral organisations and development banks as well as Danish embassies. The budget cuts also entailed that Denmark had to stop its replenishment contributions to IFAD. It was however the assessment of the MFA at the time that IFAD was professional and well-functioning, delivering on its mandate and with a comparative advantage in the international architecture of development cooperation. This assessment was at the time clearly communicated to IFAD by the MFA.

Table 1: IFAD projects co-financed by supplementary funding from Denmark²²

<i>Project name</i>	<i>Funding and envelope</i>	<i>Countries</i>
Enhanced Adaptation for Smallholder Agriculture Programme to ASAP+	DKK 190 million from CCDMP	Niger, Burkina Faso, Chad
Inclusive Finance in Agricultural Value Chain Project (INCLUSIF)	DKK 135 million from country programme	Mali
Rural Microenterprise Transformation Project (RMTP)	DKK 55 million from country programme	Bangladesh
Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)	DKK 10 + 50 million from country programme	Uganda

2.5 Strategic IFAD priorities

IFAD’s strategic goals, objectives and principles of engagement are laid out in its Strategic Framework 2016-2025. The Strategic Framework for 2026-2030 will be prepared the coming years, and will reflect the priorities and directions as laid out in the IFAD13 document. IFAD is also in the process of formulating a new integrated climate, environment, and biodiversity strategy, which is set to be submitted to the Executive Board in 2025. This strategy will further emphasize the continued inclusion and promotion of innovative climate financing models, including blended finance, and will be based on collaboration with a variety of partners including the Green Climate Fund, the Global Environment Facility, the Adaptation Fund, Public Development Banks, civil society, and other stakeholders.

In the upcoming three-year programmatic period 2025-2027, IFAD will place additional strategic focus on the following priority areas:

- enhancing its operational approach to engagement in fragile contexts, hereby increasing the share of core resources dedicated to fragile situations from 25% to at least 30%;
- expanding its support to rural communities in climate-resilient agriculture and biodiversity management, by preparing a new consolidated strategy on climate, environment and biodiversity and by increasing the target budget for climate activities from 40% to at least 45% ;
- leveraging the private sector to achieve lasting impact by updating its private sector strategy and re-design its Private Sector Financing Programme.
- ensuring inclusivity to “leave no one behind”.

2.6 Additional Climate Contributions (ACC)

IFAD is establishing ACCs as a new form of voluntary additional contribution to the Fund’s core replenishment resources for IFAD13, seeking to address the severe underfinancing of climate finance directed to the most climate vulnerable small-scale farmers. The use of funding under the new ACC window will be restricted and earmarked in order to be considered 100% climate finance in accordance with the Joint Methodology for Tracking Climate Change Adaptation Finance (MDB methodology)²³. The ACC are thus neither a

²² More information on those projects can be found in Annex 2, including lessons learned.

²³ Recognising that some member states prefer the Rio Marking methodology, IFAD will begin reporting on Rio climate markers during IFAD13.

special programme nor a special fund, but will work as climate top-up finance to the future regular programmes and projects of mainly low-income and lower-middle income countries, financed by the ordinary resources available under IFAD13. The additional climate finance will always be used in combination with other IFAD financing and enhance the climate focus of larger investments.

The additional climate finance raised through the ACC are intended to

- (i) further integrate climate-related activities within IFAD's regular project design and project implementation from the outset, maximizing efficiency and impact while minimizing transaction costs;
- (ii) maximize the benefits of IFAD's financial architecture, increasing both the programmes of loans and grants (PoLG) and the total volume of climate finance that IFAD catalyses with its multiplier effect; and
- (iii) give Member States the option to contribute additional, climate dedicated contributions as replenishment contributions, received and programmed efficiently up front.

Since the ACC will be used for climate finance top-ups to future country level projects during 2025-27, there are not yet any pipeline or preselected projects that could illustrate the use of the ACC funds.

As an example of the ACC applied mechanism IFAD has provided the theoretical Figure 1 below. IFAD and the partner country (a low or low-middle income country) discuss and decide on joint initiatives based on priorities and development and climate plans (including NAP). On top of the standard budgetary allocation available, say USD 50 million as in the example below, the country is offered an additional amount of for example USD 5 million from the ACC – a climate top-up exclusively for 100% climate-related investments such as those mentioned in the right column. In the example below, the relative share of climate finance in that specific project would increase from 45% to 50%. ACCs are likely to account for 5-7% of total core contributions.

ACC funds will be tracked separately in the project's budget and financial reporting, but progress and impact reporting will take place for the project in its entirety. In the below example, the investment of USD 50 million leverages/catalyses an additional USD 75 million of investments from the government, local banks and development banks.

Figure 1: Example of Applied ACC MechanismExample of hypothetical IFAD-financed project with PBAS and Climate-top-up

Financing Source		US\$	Climate / non-climate	% of funding	US\$	Examples of activities/costs covered	
IFAD	PBAS allocation	50.000.000	Non-climate related investments	55%	27.500.000	<ul style="list-style-type: none"> - Community development activities - Small scale infrastructure, - Vocational training - Farmer field schools - Matching grant financing for MSMEs - Value chain development activities 	
			Climate-related investments (optional)	45% (but could be more or less)	22.500.000	Climate top-ups and the PBAS allocation could finance the same kinds of climate-related investments, for example, <ul style="list-style-type: none"> - Afforestation/reforestation - Improved management of rice production - Renewable energy / biogas production - Research on climate-adapted crop production systems - Training related to climate resilience, early warning systems - Meteorological systems 	
	Climate top-up (from ACC)	5.000.000	Climate-related investments (mandatory, separately tracked in project budget)	100% (mandatory)	5.000.000		
	TOTAL IFAD		55.000.000			55.000.000	
	of which climate finance				50%	27.500.000	
Co-financiers	Government				10.000.000	Staff salaries and other project management costs, salaries of agricultural extension staff	
	Local Banks				10.000.000	Loans to project beneficiaries	
	Development Bank				50.000.000	Large scale infrastructure	
Total Project Cost					125.000.000		

2.7 Rationale and justification

The aim of the Danish support to IFAD's new climate window, ACCs, is to enhance climate resilient agriculture and food systems and increase the ability to adapt to climate change in the poorest and most vulnerable countries with a particular focus on LDCs and Africa in line with the Danish strategy for development cooperation 'The World We Share' and the 'Global Climate Action Strategy: A Green and Sustainable World'. To this, to deliver on the SDGs, in particular SDG13, SDG 1 and SDG2. This is fully aligned with the IFAD's mandate and mission to accelerate climate adaptation targeted small-holders and ensure their access to finance. This proposal is also aligned with the How-to-Note for implementation of 'The World We Share', entitled 'Green transformation of agri-food systems – agri-food production, business and food security'. The How-to-Note specifically points to IFAD as a crucial partner in food systems transformation and climate-smart agriculture.

A key objective of the Danish support to IFAD is to strengthen Denmark's multilateral support to adaptation to ensure alignment and enhance synergies with the Danish bilateral programmes, other multilateral funds and organisations. The contribution is in line with the Government's Priorities for Danish Development Cooperation 2024 with an increasing allocation for climate aid. The IFAD support will also deliver legitimacy to the Danish climate diplomacy where enhanced adaptation support and action is a longstanding and central Danish priority and underpins the Danish bridge builder role.

IFAD and Denmark share a number of important strategic priorities, including that of focusing on climate adaptation in agriculture and food system and thereby reducing poverty amongst small-holder farmers in the poorest countries and the poorest regions of countries. There is a strong and growing IFAD emphasis on fragile contexts as well as the African continent, based on entering equal partnerships with its Member States; anchored in their national institutions and organisations. The strong partnership with and political and financial support from its Member Countries – including the African Union and African Heads of State²⁴ - is illustrated by several developing countries (e.g. Kenya, Uganda, Tanzania, Ghana, Bangladesh, Cambodia, Cote d'Ivoire, Ghana, Nigeria) having pledged substantial core replenishments to IFAD¹³²⁵. In addition, IFAD has proven to be successful in leveraging public funds by having the private sector engaging and investing actively, also with a view to create sustainable job opportunities for rural populations, including women and youth. As such, IFAD offers a package of support mechanisms in the nexus of climate change, poverty, food systems and private sector driven rural development. IFAD's interventions are also a vehicle for strengthening country ownership and supporting nationally- and locally led climate-adaptation and resilience building in agriculture and food systems.

IFAD has methodologies and tools in place for gender transformation, youth, marginalised communities, people with disabilities and indigenous peoples. Policies, strategies and tools for those are – in line with its strategies for partnering with the private sector for rural development – being updated regularly based on lessons learned.

IFAD is consistently rated as an effective and impactful organisation. The Center for Global Development's Quality of Official Development Assistance assessment ranked IFAD as the most effective and efficient multilateral development organization delivering impactful long-term support to fragile states globally in 2021. The very recent 2024 MOPAN assessment of IFAD found that IFAD's mandate and role in transforming rural communities and food systems highly and increasingly relevant. Project relevance was assessed as highly satisfactory and effectiveness as satisfactory. IFAD's strategic framework and business model is focused and well-articulated. MOPAN assesses that IFAD's Strategy and Action Plan on Environment and Climate Change 2019-2025 helps implement its objective of improving the climate resilience of smallholder farmers, environmental sustainability and resilience. IFAD is further lauded for using effective consultative process and uses its resources transparently in partnerships with its Member States. Finally, MOPAN highlights the high-quality evaluations of its country strategies and operation work as well as special issues raised by its management. That said, MOPAN also recommends IFAD to strengthen project efficiency such as increasing the capacity of partner governments and improving disbursement rates, more focus on staff welfare as well as growing IFAD's strategic partnerships and continuing its decentralisation process.

Channelling funds towards climate-resilient agriculture and food systems through ACC offers additional benefits by being registered as 100% climate financing, a minimum of 60% allocation to Africa and requiring limited additional administrative resources in MFA.

²⁴ <https://www.ifad.org/en/web/latest/-/news/african-heads-of-state-call-on-world-leaders-to-increase-investment-in-ifad-to-end-rural-hunger-and-poverty#:~:text=Rome%2C%2019%20October%202020%20-%20Ten,and%20hunger%2C%20particularly%20in%20Africa>

²⁵ <https://www.ifad.org/en/ifad13/pledges.html>

During implementation, synergies with existing Danish-supported projects (country programmes in Bangladesh, Mali, Uganda and the ASAP+) will be explored in cooperation with Danish representations. The coherence between ACC and those ongoing projects is considered good, not least because they have all been designed and are implemented and supervised within IFAD’s strategies and tools, and are all part of a coordinated Danish effort to strengthen action for the climate-development nexus. Finally, IFAD and MFA are long-term partners with a well-established and mutually reinforcing cooperation. A brief analysis of lessons learned from past and ongoing support is included in Annex 2.

3 PROJECT PURPOSE AND OBJECTIVES

The purpose of the project is to strengthen climate adaptation in agri-food systems in vulnerable developing countries through provision of a Danish earmarked core contribution to IFAD’s ACC.

IFAD overall goals, to which the project aligns, are to

contribute to achieving *SDG 1 No Poverty*
SDG 2 Zero hunger

Since the purpose of ACC is to increase climate finance available for climate investments - targeting climate-vulnerable small-scale farmers and food systems – a third goal of the project is thus to

contribute to achieving *SDG 13 – Climate action.*

The development objective of the project is to

Increase the climate-resilience of small-scale farmers and food systems, with a special focus on Africa

4 THEORY OF CHANGE AND KEY ASSUMPTIONS

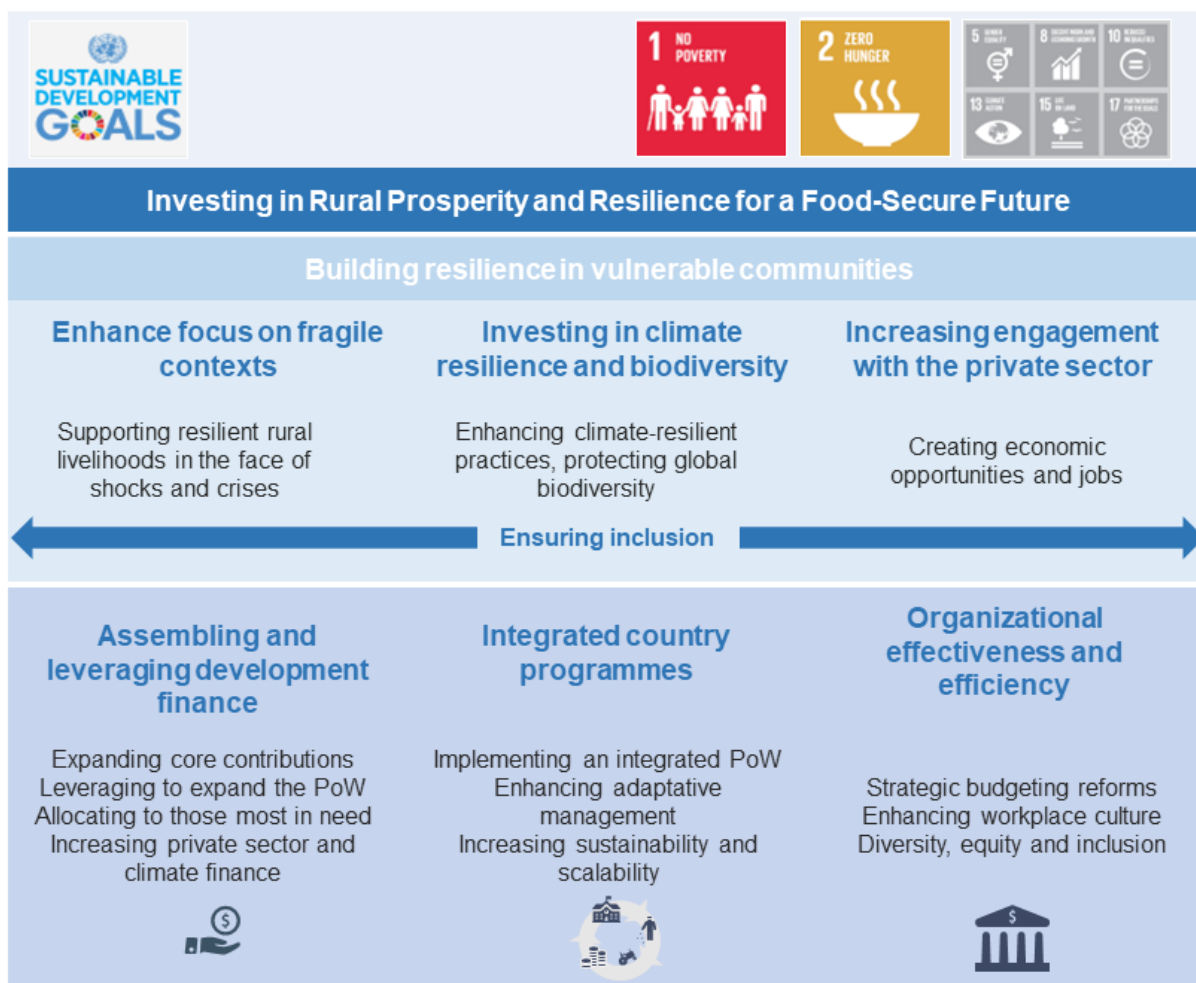
The simplified Theory of Change (ToC) of the project is that **if** Denmark provides funding of the ACC, **then** IFAD will be able to top-up and further leverage climate finance in its country programmes and projects, especially in fragile contexts and in Africa.

The generic ToC of IFAD13 business model is illustrated in Figure 2 below. At the highest level, IFAD has its ambition of making a significant contribution to the SDGs, especially SDG1 and SDG 2. IFAD’s aim is to build resilience in vulnerable communities by a) Investing in climate resilience and biodiversity to enhance climate-resilient practises and protecting global diversity, b) increasing engagement with the private sector to create economic opportunities and jobs, and by c) engaging its focus on fragile contexts to support resilient rural livelihoods in the face of shocks and crises.

The tools and instruments to achieve those results are i) assembling and leveraging development and climate finance for those most in need, ii) formulating and carrying out integrated country programmes characterised by stronger adaptability and enhanced sustainability and scalability while iii) ensuring and improving organisational effectiveness and

efficiency. Throughout IFAD’s operation, inclusion is the key principle – illustrated by the arrow spanning across.

Figure 2: The Theory of Change of IFAD13



Technical results chains or impact pathways are provided at country level programmes and individual projects and thus not presented in the above diagram. Future projects accessing the ACC will be required to present individual ToCs.

The key assumptions of the ToC presented above are that there is indeed a demand from partner countries for the additional climate finance available and that the countries are able to carry out their planned and additional resilience building activities financed by the ACC.

5 SUMMARY OF THE RESULTS FRAMEWORK

A preliminary results framework based on the Results Measurement Framework (RMF) of IFAD13, is presented in Table 2 below. The suggested indicators and targets have been selected from the list of mandatory core indicators in RMF and will thus be readily available and reported on in IFAD’s regular progress and impact reporting.

Table 2: Preliminary Results Framework

Project name	Danish support to Climate-resilient Agriculture and Food Systems – through the Additional Climate Contributions of IFAD
Project Goal	Contribute to achieving <i>SDG 13 Climate Action, SDG 1 No Poverty and SDG 2 - Zero hunger</i>
Project Development Objective	Increase the climate-resilience of small-scale farmers, with a special focus on Africa
Impact Indicators*	a) Hectares of land brought under climate-resilient management b) Number of people with greater resilience c) Number of people with improved food security
Baseline	a) 1.92 million hectares b) 38 million people c) 58 million
Target 2027	a) <i>(will be tracked, TBD)</i> b) 50 million c) 66 million

Outcome 1	<i>Improved climate-resilient practises of small-scale farmers’ production and market access</i>		
Outcome indicators*	<i>1.1 Number of households reporting adoption of environmentally sustainable and climate-resilient technologies and practises 1.2 Number of people with improved production 1.3 Number of people with improved market access</i>		
Baseline	Year	2021	<i>1.1 237,701 1.2 62 million 1.3 64 million</i>
Target	Year	2027 <i>(IFAD13)</i>	<i>1.1 (will be tracked, TBD) 1.2 82 million 1.3 84 million</i>

Outcome 2	<i>Increased climate finance for Africa</i>		
Outcome indicators	<i>2.1 Share of total IFAD13 PoLG categorised as climate finance 2.2 Share of total IFAD13 core resources allocated to African countries</i>		
Baseline	Year	2024 <i>(IFAD12)</i>	<i>2.1 40% 2.2 55% (% of total IFAD12 core resources, including non-climate finance)</i>
Target	Year	2027 <i>(IFAD13)</i>	<i>2.1 45% 2.2 60% (% of total IFAD13 core resources, including non-climate finance)</i>

**All indicators will be gender and youth disaggregated where relevant*

By nature, the targets depend on the actual total amount of funding availed by Member States for IFAD13, including total amount core replenishments as well as total ACC funding. The above targets remain indicative and will be updated accordingly after total resources available are known.

5.1 Results monitoring and reporting

Procedures for results monitoring will follow IFAD's Results and Impact Management System (RIMS), based on the RMF of IFAD13.

IFAD will monitor the climate top-ups financed by ACCs to the level of each project and ensure they are utilized for activities eligible to be considered as 100% Climate Finance, following the MDB methodology. Therefore, IFAD will be able to indicate the countries/projects that have received ACC financing. Regarding results reporting, IFAD will not – in line with its integrated approach of climate adaptation and agricultural development - distinguish between results achieved from different IFAD financing instruments financing the same project. The baselines and targets are thus not attributable to ACC alone, but to the entire financing.

The results of ACC funding will be fully integrated in IFAD's overall corporate reporting on climate related indicators reported to the Executive Board each year through the Report on IFAD's Development Effectiveness (RIDE) and Report on IFAD's Mainstreaming Effectiveness (RIME). Results achieved during IFAD13 will first be reported on in the RIDE/RIME of September 2026. In addition to RIDE and RIME, annual reports on independent evaluations of IFAD's performance (ARIE) are undertaken by IFAD's Independent Office of Evaluation, latest undertaken in 2023. Finally, annual reports are prepared

IFAD's annual Climate Action Report will also include reporting on ACCs since the report covers all of IFAD's climate-related activities and could be adjusted to incorporate new mechanisms.

6 BUDGET

The present budget target for ACC is USD 100 million. As of May 2024, IFAD has secured a total funding of about USD 35 million from Switzerland, The United Kingdom and Ireland. Consultations are ongoing for contributions from Norway, Germany, Canada, Gulf countries, Luxembourg, and Belgium. Funding for ACC will be pooled and earmarked for investments that are considered 100% climate finance according to the MDB methodology.

The anticipated Danish contribution covered by this agreement is DKK 150 million (equivalent to some USD 21 million), preliminarily distributed as follows:

Table 3: Indicative Budget (DKK million)

	2024	2025	2026	2027	Total
<i>Disbursement</i>	50	50	49		150
<i>Commitment</i>	100	50			
Budget Allocation					
Outcome 1 and 2		50	29	50	129
Adaptability reserve			20		20
Review, studies ²⁶			1		1
Total, DKK million		50	50	50	150

* DKK 50 million allocated FFL24 §06.34.01.75, expected increased to DKK 100 million

** DKK 50 million expected allocated on FFL25 §06.34.01.75

It is anticipated that the funds will be disbursed annually as per the table above.

Due to the nature of the funding modality, the budget cannot meaningfully be allocated between the two outcomes, nor be output-based.

An adaptability reserve of DKK 20 million is set aside in line with Danish Aid Management Guidelines. The reserve will be allocated during 2026 following consultations between MFA and IFAD. The adaptability reserve can only be used for activities in support of the project's outcomes and must be considered 100% climate finance but cannot be used for core replenishments.

It will be considered to use the Adaptability Reserve as a contribution for the multi-donor trust fund for the Vision for Adapted Crops and Soils (VACS, cf. Section 2.3). So far, only the US has contributed to the trust fund with USD 100 million and work remains to be done before the initiative is ready to consider for Danish funding.

In the event that there are no justifiable options for new climate finance initiatives, the Adaptability Reserve will be allocated to ACC funding. The Danish grant must be spent solely on activities leading to the expected 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. Any unspent funds by the end of the project period must be returned to MFA.

No management fee will be charged by IFAD for ACCs. The reason for IFAD to decide not to charge the usual 8% (which is the case for core replenishments and supplementary funding) is that the ACCs are fully integrated into IFAD's normal design, supervision and reporting processes and thus adds very limited additional transaction costs.

7 INSTITUTIONAL AND MANAGEMENT ARRANGEMENT

Member States govern IFAD through its Governing Council and the Executive Board. These two bodies make all major decisions for the organization. Held annually at IFAD headquarters in Rome, the Governing Council is the Fund's main decision-making body and is open to all Member States. The annual meeting and proceedings are the basis for IFAD's

²⁶ Retained in MFA, Copenhagen

continued rural development efforts. The Executive Board is responsible for overseeing the general operations of IFAD and for approving its programme of work. Membership on the Executive Board is determined by the Governing Council.

IFAD operates day-to-day under the leadership and direction of the Office of the President and Vice-President, with departments covering financial operations, corporate services, strategy and knowledge management, and programme management

The formal advisory and governance role for the ACCs thus mainly lies with the Executive Board as part of its existing governance and advisory role for the entire IFAD portfolio. IFAD management will undertake a review of the implementation of ACCs, their impact on IFAD's governance, and lessons learned as part of the IFAD13 midterm review planned for Q2 2026. MFA may decide to carry out its own Mid-term Review in line with its Aid Management Guidelines.

There will not be established any formal advisory committee for the ACCs since ACCs are not supplementary funds (like ASAP+ funds). Denmark and other contributors to ACC can engage informally together or bilaterally with IFAD if there is a perceived need for information in addition to the consolidated IFAD reporting. If so desired and agreed, an ACC donor group could be established. Consultations with other ACC funding countries on the potential needs for joint coordination or supervision are ongoing.

Since Denmark is not contributing core replenishment funds to IFAD13, no additional voting rights will be gained through this support to ACC. Due to accumulated voting rights gained from earlier core replenishment funding, Denmark remains in possession of voting rights (1.1% of total votes, gradually diminishing over time) and is an alternating member of the Executive Board. The Royal Danish Embassy (RDE) in Rome further participates as observer during consultations on IFAD13.

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. After the termination of the project, MFA reserves the right to carry out evaluations in accordance with this article.

8 FINANCIAL MANAGEMENT, PLANNING AND REPORTING

Since the project is earmarked core contributions to ACC, IFAD's established systems and formats for financial management (including accounting, auditing and reporting) will be applied with no separate Danish reporting requirements. All financial reports are audited externally in accordance with International Standards of Auditing and the latest Annual Financial Reports have enjoyed clean (unqualified) audits.

Audited financial statements should be submitted annually to MFA, at latest by 30 June.

9 RISK MANAGEMENT

Risk management is the responsibility of the Executive Board that overlooks and acts upon risks in accordance with its Enterprise Risk Management (ERM) Policy.

The following main risks may affect the project:

- A potential lower-than-expected Member States interest or capability in accessing the ACC, and IFAD thus not being able to disburse all additional climate funds within the limited project period of three years. In parallel, there is a risk of not being able to leverage the ACC due to lower-than-expected levels of bankable projects and investment opportunities to be financed by the future projects. The risk is considered low and will be mitigated by IFAD management focus on promoting the ACC globally and locally.
- Implementation through government institutions and systems may challenge coordination, learning and efficient implementation of climate adaptation. This also related to the challenges of low levels of government planners' and implementer's understanding and knowledge on how to identify, measure and standardize adaptation and resilience action. The risk is considered medium and will be mitigated through capacity building and continued decentralisation of operation.
- IFAD may not sufficiently be able to address organisational as well as project efficiency needs, including MOPAN identified needs for increasing selectivity/prioritisation and for finalisation of the decentralisation process. The risk is considered low and will be mitigated through Executive Board emphasis on the matter.

10 CLOSURE

Closure of the project will take place at the end of IFAD13 2025-2027 and project completion reporting and impact assessments will follow standard IFAD13 systems and procedures. Future IFAD funding from Denmark will depend on ACC and IFAD performance and future Danish strategies and priorities. Future support for IFAD14 and aligned funding mechanisms – if deemed relevant and strategically fitting at that time - could be that of providing core replenishment and/or ACC financing, continued supplementary funding to country-specific or regional projects and programmes.

ANNEX 2

PARTNER ASSESSMENT

Content:

1. PORTFOLIO OF ONGOING DANISH PARTNERSHIPS WITH IFAD
2. LESSONS LEARNED FROM MFA/IFAD PROJECTS
3. CONCLUSIONS OF MOPAN ASSESSMENT
4. PARTNER ASSESSMENT SUMMARY TABLE

1. PORTFOLIO OF ONGOING DANISH PARTNERSHIPS WITH IFAD

Denmark is supporting IFAD through Supplementary Funding, with DKK 190 million, around US\$ 30 million, to ASAP+; and DKK 135 million (US\$21.6 M) in Mali and DKK 55 million (US\$8.3 million) in Bangladesh with focus on youth employment, micro credit and inclusive finance in agricultural value chain; DKK 10 million to finance the preparation and piloting activities of the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) in one of the ARCAFIM target countries - Uganda, followed by additional DKK 50 million.

Mali- Inclusive Finance in Agricultural Value Chain Project-INCLUSIF (2018 – 2024)

The contribution provided to Mali increased financial inclusion for smallholders and agrifood Small and Medium Enterprises in the country, through (i) diversified, permanent and inclusive financial services and products to benefit a large number of smallholders, including women and young people, and SMEs; and (ii) sustainable partnerships. The project reached 440,000 direct beneficiaries from disadvantaged groups, rural family farms, professional organizations (cooperatives, unions and federations) and private-sector agricultural enterprises.

Bangladesh-Rural Microenterprise Transformation Project (2019-2025)

The contribution to Bangladesh aims to provide sustainable growth of selected rural commodity value chains with comparative advantage, market demand, growth potential, and backward linkages to small and marginal farmers and microentrepreneurs across Bangladesh. It has offered small farmers and micro-entrepreneurs' access to improved production technologies, financial services and market linkages.

Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) for East Africa region

The DKK 10,000,000 grant supported IFAD to pilot and develop the design and structure of the ARCAFIM project and to prepare the ARCAFIM funding proposals submitted to financing partners including the Global Climate Fund, Nordic Development Fund, Governments of Finland and Denmark as well as the ARCAFIM partner banks. The 2024 contribution to ARCAFIM builds on the initial Danish contribution, delivering strengthened data/information for climate adaptation investments in agriculture Uganda, and improved financial sector capacity for climate adaptation loans, which constitute key components in the ARCAFIM design process.

IFAD's Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+)

ASAP+ builds on IFAD's expertise in investing in rural communities and on the lessons from ASAP1 and ASAP2. Initial priorities focus on the intersection of climate, conflict and fragility in the Sahel, Ethiopia, Somalia and Yemen. ASAP+ also supports emerging priorities, such as forest restoration and Indigenous Peoples in the Brazilian Amazon. Going forward, the focus will expand to the intersection between climate, biodiversity, gender and nutrition, while supporting new finance mechanisms to catalyse private sector investment in climate adaptation for small-scale agriculture. The contribution is part of the Danish programme Climate Change, Conflict, Displacement and Irregular Migration Programme in the Sahel 2021-2024 (CCDMP) and had a soft geographic earmarking to the Sahel region.

May 2024 Progress Update on ASAP+ projects in Niger, Burkina Faso and Chad:

- Niger Prodaf Diffa: The agreement between IFAD and the Government is yet to be signed. The de facto government situation in Niger since 26 July 2023 has caused sanctions from the regional bodies and government inability to settle its arrears with major IFIs including IFAD. Now that the sanctions have been lifted on Niger (24 February 2024), IFAD hopes that Niger will be able to settle its arrears and reengage to sign the financing agreement and effectively start activities including ASAP+ components.
- Burkina Faso PSSRC: The PSSRC was scheduled for presentation to Parliament on 18 March, IFAD is now awaiting the formal communication on the decision regarding the ratification. The plan is to have the inception workshop for the project late May or early June. By then, the project team will be on Board and an Annual Work Plan and Budget (AWPB) for 2024 – will also be finalized including ASAP+ related activities.
- Chad RePER: The financing agreement is awaiting the signature of the national counterpart. Then the Programme Management Unit will proceed to open the bank account and the first disbursement will be effective by the end of April. The AWPB has been approved. Inception workshop is planned for mid-May.

2. LESSONS LEARNED FROM MFA/IFAD PROJECTS

As an integrated part of the project formulation process, MFA representations and desk officers of ongoing partnerships with IFAD were interviewed²⁷ to establish a brief overview of lessons learned. The interviews were carried out with an emphasis on identifying strengths and weaknesses from their respective point of views and given project and country specific contexts. Consequently, the following lists of strengths and weaknesses may not necessarily be relevant for all representations.

Based on the interviews, identified IFAD strengths include:

- Strong local ownership and involvement of the Member States and their government. This could be explained by
 - IFAD’s aid modalities (sovereign loans, often supported by grants)
 - Country-led implementation and management with strong support from regional offices and head-quarters.
 - Longer time horizon of projects and programmes. IFAD relations with institutions and organisations are long-term, and IFAD can more effectively navigate in local power structures.
 - Deep technical and efforts put into joint planning and management mechanisms.
 - Political leverage and legitimacy as a UN agency and/or IFI.
 - Mutual respect and partnership spirit, non-political but technical and more pragmatic partnerships.
 - Different mentality and focus as a financial institution, also in understanding better the realities within private sector development
 - Well-established procedures and systems
 - Strong and long-term local presence in many countries, the decentralisation process has been relevant and much needed. It is now considered a core strength. This also lowers fiduciary risks.
- Impressive outreach to regions and people that are hard to reach, especially in fragile and climate-vulnerable contexts.
- High levels of knowledge and technical competency, both in Rome, in regional offices and country offices. This is significant for financial markets and private sector development. Staff are often technically competent, personally engaged and dedicated.
- IFAD participates actively in local coordination and consultations mechanisms and readily shares data and knowledge. IFAD is considered superior as compared to other multilateral organisations and development banks.
- IFAD’s MEAL systems, including reviews and field missions involving the Danish representations, are transparent and delivers information as required.
- IFAD officers are very agile and responsive in communication.
- IFAD offers gender transformation tools that are truly transformative and not only mainstreaming.
- IFAD generally delivers as a trustworthy partner to MFA.

²⁷ The following representations and MFA departments were interviewed: Dhaka, Bamako, Rome, Kampala, KLIMA and MIGSTAB’s external MEAL consultant in NIRAS

- IFAD is moving fast in understanding and acting coherently on the need to apply a climate-development nexus.
- IFAD has a close and effective cooperation with other multilaterals, e.g. World Food Programme. This could be considered for support from Denmark.

Identified IFAD's weaknesses can be summarised as:

- The decentralization process has not yet been finalized and it appears as if accompanying rules and regulations have not been enforced. Internal resistance to the decentralization and reorganization processes could hinder organizational effectiveness. Some technical knowledge has been lost.
- Processes can be slow with delays in upstarts and implementation, requiring project extensions. This is partly explained by the demanding context of reaching out to the poorest of the poor and understanding and working with their agricultural production, and by working in fragile countries.
- Being dependent on host government institutions may create delays, red tape/bureaucracy and fiduciary risks that would not be tolerated at the same level in bilateral projects.
- Being dependent on host government institutions may hinder coherent efforts, e.g. when national silos exist between ministries of climate, environment, agriculture, gender etc.
- Country office under- or even periodically unstaffed and not well trained in decentralization procedures. Not all officers are technically competent, e.g. in climate change and/or understanding the climate-development nexus. This leaves room for improvement, e.g. in terms of follow-up to agreed action.
- Action research, knowledge management and generating evidence for replication (proof of concepts) are not strong points. There is a focus on quantity and not quality, reflected in results frameworks.

3. CONCLUSION OF MOPAN ASSESSMENT

MOPAN concluded in its February 2024 assessment that IFAD is well positioned to respond to the evolving development context that has become increasingly complex and challenging. Against the backdrop of multiple crises and global challenges, IFAD's mandate and role in transforming rural communities and food systems is even more relevant.

MOPAN emphasises, that IFAD needs to strengthen its strategic focus, doubling down on its past successes, based on strategic analysis of its mandate in light of global needs, and to leverage for impact in ways that are aligned with IFAD's strategy. This includes commitments outlined in IFAD13: concentrating on climate-resilient agriculture, supporting smallholder farmers in fragile and conflict-affected states, supporting the Leave No One Behind agenda and fine-tuning its operational model to further enhance impact, effectiveness, and efficiency.

Main strengths:

- IFAD has a clear mandate and well-articulated strategic framework which addresses the issues of food security and agricultural production in the poorest countries and the poorest regions of countries. Over the last five years, IFAD has increasingly focused on supporting farmers in fragile situations, people with disabilities, indigenous communities, youth and those suffering from disasters in rural areas.
- The business model is focused on this mandate, and IFAD has responded appropriately and quickly to changes in the external environment including COVID-19 and climate change.
- IFAD uses effective consultative processes to develop its country strategies, project designs and conduct project supervision.
- IFAD has been responsive in allocating its resources transparently and, in accordance with analysis of global needs, its mandate and the directions of its Member States.
- IFAD's Independent Office of Evaluation produces high-quality evaluations of operational work, country strategies, and on issues of special interest to IFAD and its management.

Areas of improvement:

- Project efficiency: Improving disbursement rates and minimising implementation delays
- Organisational efficiency: Increasing budget allocation to critical activities such as project design, Country Strategic Opportunities Programmes (COSOP) formulation and project supervision and reflecting on the value of a system to better understand staff costs.
- Avoiding dilution of IFAD's niche focus, by increasing selectivity within programmes, strategic partnerships (including joint monitoring and evaluation), and organisational decision making in accordance with IFAD's mandate, comparative advantage and available resources.
- Strengthening activities to improve staff well-being and respond to findings from the staff survey and initial feedback on the decentralisation process.
- Strengthening IFAD's policy on protection from sexual exploitation and abuse and its implementation; ensuring it is victim-centred and that it clarifies lines of accountability.

5. PARTNER ASSESSMENT SUMMARY TABLE

Name of Partner	Core business <i>What is the main business, interest and goal of the partner?</i>	Importance <i>How important is the project for the partner's activity-level (Low, medium high)?</i>	Influence <i>How much influence does the partner have over the project (low, medium, high)?</i>	Contribution <i>What will be the partner's main contribution?</i>	Capacity <i>What are the main issues emerging from the assessment of the partner's capacity?</i>	Exit strategy <i>What is the strategy for exiting the partnership?</i>
IFAD	<p>IFAD was established in response to the food crisis of the 1970s with a distinct focus on investing in inclusive and sustainable rural transformation. It aims to transform rural economics, provide essential long-term resilience support in fragile contexts, invest in rural people and small-scale farmers in support them in adapting to climate change and foster private sector engagement to end poverty and food insecurity in developing countries. It focuses on small-scale producers and family farmers, rural workers, women and youth, indigenous peoples, marginalized ethnic groups and victims for disaster and conflict.</p> <p>The main goal of IFAD is contributing to achieving SDG 1 and 2, but contributing to achieving SDG 13 is at the core of the projects funding of ACC.</p>	<p>Medium. The ACC funding is important to achieve the climate action ambitions of IFAD13, but the ACC accounts for only 5-7% of the total core contributions.</p>	<p>High. The ACC funds will become additional top-up climate finance to the future standardized programme of grants, guarantees and loans. ACC funds will thus follow IFAD's standard governance and steering mechanisms.</p>	<p>All steps of the project cycle from country programming, project preparation, implementation, MEAL etc.</p> <p>No management fees will be charged by IFAD; normally the fee is 8%.</p>	<p>See abstracts from MOPAN assessment above. It provides a very positive assessment of several parameters. Issues for improvement are mainly related to project and organisational efficiency, including a need to focus on comparative advantages.</p> <p>Center for Global Development concluded in 2021 that IFAD is the most effective and efficient multilateral development organization ²⁸</p> <p>Lessons learned from Danish support suggests amongst other risks that there could be country level risks of insufficient technical capacity in and/or under-resourced country offices.</p>	<p>The Danish contribution to ACC is a time-bound grant.</p> <p>Future support for IFAD14 and aligned funding mechanisms – if deemed relevant and strategically fitting at that time - could be that of providing core replenishment and/or ACC financing, continued supplementary funding to country-specific or regional projects and programmes.</p>

²⁸ <https://www.cgdev.org/blog/underwriting-ambition-ifads-13th-replenishment>

ANNEX 8

PROCESS ACTION PLAN

Action/product	Deadlines	Responsible/involved units
Forward early draft of project/programme document to LÆRING for public consultation	6 June 2024	KLIMA
Meeting in Danida Programme Committee	18 June 2024	LÆRING/KLIMA
Consultations with IFAD and ACC donors in Rome	19-21 June 2024	KLIMA/Embassy Rome/Consultant
Final draft project document	28 June 2024	KLIMA/Consultant
Submitting for appraisal	1 July 2024	KLIMA
Quality assurance: Desk appraisal	July/August 2024	LEARNING
Final Project Document, annexes and appropriation cover note forwarded to LEARNING	26 August 2024	KLIMA
Presentation to the Council for Development Policy	12 September	KLIMA
The minister approves the project	October	LÆRING
Document for Finance Committee (Aktstykke)	October/November	KLIMA