

**Ministry of Foreign Affairs – The Department for Green Diplomacy and Climate (KLIMA)**

**Meeting in the Council for Development Policy on 12 September 2024**

Agenda Item No. 4

- 1. Overall purpose:** For discussion and recommendation to the Minister
- 2. Title:** Support to Adaptation Fund
- 3. Amount:** DKK 100 million (2024-2027)
- 4. Presentation for Programme Committee:** 11 June 2024
- 5. Previous Danish support presented to UPR:** No, this is the first presentation to UPR

# Danish Organisation Strategy for the Adaptation Fund 2024-2027

## Introduction:

The Adaptation Fund (AF) is the only multilateral instrument under the UNFCCC specifically established to finance concrete adaptation projects in developing countries and is a key financial mechanism for the implementation of the Paris Agreement. Since 2010, the Adaptation Fund has committed over 1,2 billion USD for adaptation and resilience projects and programmes, including 155 concrete, localized projects in the most vulnerable communities of developing countries around the World, incl. in Africa and SIDS, with over in total 43 million beneficiaries.

## Key results:

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

## Justification for support:

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

## How will we ensure results and monitor progress:

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

## Risk and challenges:

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

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

## SDGs relevant for Programme



## Budget

<b>Total (core support):</b>	<b>DKK 100 million</b>
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## Danish involvement in governance structure

- Denmark will engage with the Nordic donor countries to promote DK priorities in the AF. Sweden is currently alternate to the Board and Norway is looking into the possibility of becoming member of the AF board for the next election period.
- Denmark will engage in regular dialogue with the AF secretariat. Further, Denmark will participate in Board meetings as observer.
- The department of Green Diplomacy and Climate (KLIMA) will share information and coordinate with relevant embassies and other departments in the DK MFA to enhance understanding and synergies between other Danish funded multilateral and bilateral programmes and AF funded projects. Further, a task force focused on Danish engagement with other multilateral climate funds such as the GEF, GCF, CIF, CTCN and the Loss and Damage Fund has been established to ensure coordination, monitoring and sharing of best practices across Denmark's engagement within the multilateral climate funds.

## Strat. objectives

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

## Priority results

The AF enhances direct access to finance.

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

The Adaptation Fund strengthens its engagement in advancing gender equality.

## Core information

Established	2001
HQ	Washington DC
Human resources	29 staff in the AF secretariat
Partner countries	25
Funding amount by target	100% adaptation
Adaptation funding going to the most vulnerable countries (2023)	147 projects – 47 projects in LDCs and 26 to SIDS
Results to date (anticipated)	Portfolio benefitting 41 million people, protect or rehabilitate 635.00 hectares of natural habitats, 526 warning systems installed.

## Organisation Strategy for the Adaptation Fund 2024-2027

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## List of Abbreviations

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

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

## I. Objective

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

## II. The organisation

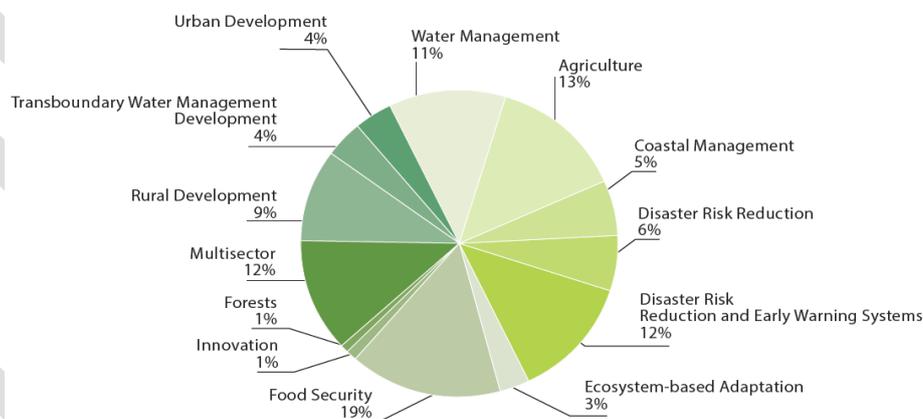
**Mission and mandate.** The AF was established in 2001 under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete climate change adaptation projects and programmes in developing countries. Since 2019, its mission has been to serve the Paris Agreement by accelerating effective adaptation and efficient access to finance, including through direct access, to respond to the urgent needs and priorities of developing countries. The AF does so by supporting country-driven adaptation projects and programmes, innovation, and learning with concrete results at the local level that can be scaled up.

Since 2010, the AF has committed over 1,2 billion USD for climate change adaptation and resilience projects and programmes, including 155 concrete, localized projects in the most vulnerable communities of developing countries around the world, including in Africa and Small Island Developing States (SIDS), with over 43 million beneficiaries in total.

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

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

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



Source: AF Annual Performance Report, 2023

**Strategic framework.** The AF’s work is guided by the 5-year strategy *medium term strategy (2023-2027)*<sup>1</sup> (MTS) approved in March 2023 (see Annex 1 for Theory of Change). The strategy is based on the pillars of Action, Innovation, and Learning & Sharing and contains six cross-cutting features, which are guiding the AF’s activities: 1) locally based or locally led action; 2) enhance access to climate finance and long-term institutional capacities; 3) empower and benefit the most vulnerable people and communities as agents of change; 4) advance gender equality; 5) encourage and enable the scaling and replication of results; and 6) strengthen complementarity, coherence and

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

synergies with other adaptation funders and actors, with feature one and five being two new elements that build on the AF's previous 5-year MTS.

The strategic framework will be supported by a results framework (currently being updated and will be presented at next Board meeting in October) and an implementation plan 2023-2027.

**Governance and management.** The AF is governed by the Adaptation Fund Board (AFB), composed of 16 members and 16 alternates (*currently 9 women, 14 men, and 9 vacant*), with a majority of members representing developing countries (69 percent)<sup>2</sup>. Currently (2024), the USA and Germany (vice-chair) are the Western European and Others Group Board members and Sweden and Belgium are elected alternates. Board members and alternates are elected for a term of two calendar years and shall be eligible to serve a maximum of two consecutive terms. The Board holds periodic meetings throughout the year (at least twice a year), in Bonn, Germany. The board is supported by two committees: 1) *Project and Programme Review Committee (PPRC)* and 2) *Ethics and Finance Committee (EFC)*. The committees consist of Board members and alternates. Sweden is currently member of the EFC.

Formally, the Board is accountable to the CMP (Conference of the Parties, serving as the meeting of the Parties to the Kyoto Protocol): *Members of the board are elected at its yearly sessions and the Board reports to the CMP annually*. Currently, the AF is in a transitioning period from serving the CMP to CMA (Conference of the Parties serving as the meeting of the Parties to the Paris Agreement) and is therefore receiving guidance from both. The AF is expected to fully serve the CMA by 2025. The Board has legal capacity and is under German law.

Civil society organizations (CSOs) participate as observers in AF board meetings, where AF uniquely includes a dialogue with civil society as a standing agenda item. At the 42nd Board meeting in April 2024, an active observer role for CSOs was established. Additionally, the AF has a CSO Network, an independent coalition of CSOs that engages in discussions on the Fund's processes and policies and monitors project planning and implementation to support those most vulnerable to climate change<sup>3</sup>.

**Organisational structure and systems.** The AF Secretariat is composed of 29 staff members located in Washington, D.C. Formally, it operates as a unit under the World Bank (WB), adhering to WB policies and regulations (procurement, travels, HR, IT, accounting etc.) while maintaining operational independence. The secretariat's financial transactions are covered by both the WB's internal audit and external audit. The Board establishes an annual fiscal administrative budget for both the Secretariat and the Board. The Secretariat is not permitted to accumulate reserves. Additionally, the Global Environment Facility (GEF) provides secretariat services to the AF<sup>4</sup>.

The Board has established an Accreditation Panel with three independent experts and two Board members to accredit implementing entities (IEs), which can be national, regional, or multilateral. As of January 8, 2024, the AF had accredited 56 IEs: 32 National Implementing Entities (NIEs), 9 Regional Implementing Entities (RIEs), and 15 Multilateral Implementing Entities (MIEs) (see Annex 2 for the list). Of the 32 NIEs, 10 are from LDCs and 7 from SIDS. The regional distribution includes 14 entities from Africa, 15 from Latin America and the Caribbean (LAC), 11 from Asia-Pacific (APAC), and 1 from Eastern Europe (EE). NIEs in countries with Danish representation include Rwanda, Ethiopia, Jordan, Uganda, India, Kenya, Tanzania, Bangladesh, Indonesia, and South Africa. The AF has paused accrediting additional MIEs due to its prioritization of NIEs.

Received funds from contributors and CER monetization are managed in the Adaptation Fund Trust Fund by the World Bank as the trustee. Upon AF board approvals, the trustee set aside funds for projects and grants and transfer the funds to implementing entities. The trustee also invests funds when such funds are available. Similarly, upon AFB approvals, the trustee transfers administrative budgets of the Board and secretariat from the AF trust

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<sup>2</sup> <https://www.adaptation-fund.org/about/governance/board/>

<sup>3</sup> <https://af-network.org/>

<sup>4</sup> [https://www.adaptation-fund.org/wp-content/uploads/2020/11/MOU-with-GEF\\_amended-in-Nov.-2019-1.pdf](https://www.adaptation-fund.org/wp-content/uploads/2020/11/MOU-with-GEF_amended-in-Nov.-2019-1.pdf)

fund to the secretariat accounts annually. Single Audits<sup>5</sup> provide an annual assessment of the overall control framework surrounding the preparation of financial reports for the AF.

The AF's safeguard policies are outlined in its Environmental and Social Policy (ESP), revised in 2016<sup>6</sup>. The ESP ensures that AF-supported projects do not cause unnecessary environmental and social harm while addressing climate change impacts. All IEs must adhere to the ESP. The AF is currently updating the ESP, a process initiated at CMP 17. At the 42nd Board meeting, it was decided to update and streamline the ESP terminology to improve clarity. The update will include revised ESP guidance and new toolkits like environmental and social risk screening checklists. The Secretariat will present a draft at the 44th Board meeting in 2025. Before this, the AF will launch a public call for comments, allowing all stakeholders to participate, which is a standard procedure for policy updates.

Since 2023, the AF has been developing an independent policy to safeguard against sexual exploitation, abuse, and harassment (SEAH), as requested at CMP 17 and CMA 4 in 2022. Currently, AF secretariat staff follow World Bank SEAH policies, but there is no such policy for other key stakeholders like the Board, its Committees, the Accreditation Panel, IEs, or the AF CSO Network. In April 2024, the secretariat presented definitions and policy options on SEAH at the 42nd Board meeting. A draft SEAH policy will be presented at the 44th Board meeting in 2025. In this regard, the AF is planning on launching a public call for comments.

The AF is actively strengthening its complementarity and coherence with other adaptation finance providers, including Multilateral Climate Funds (MCFs). This is one of the six strategic themes in the Fund's second Medium-Term Strategy. The AF collaborates with the Green Climate Fund (GCF) on fast-track accreditation, project scale-up, and capacity-building through the joint AF-GCF Community of Practice for Direct Access Entities (CPDAE). Nearly 20 AF projects have been scaled up by GCF<sup>7</sup>. At COP28 in 2023, the AF, CIFs, GEF, and GCF launched a joint declaration on enhancing climate finance. They are now working on a draft action plan to implement this declaration. The AF also collaborates with other UNFCCC bodies and supports initiatives like UN4NAPs and the NDC Partnership. Further, there is a close collaboration between the AF and Climate Technology Centre and Network (CTCN). The AF has recently launched a new programme which will foster innovation of adaptation practices in vulnerable countries in collaboration with CTCN, and CTCN is providing technical assistance to developing countries that informs and matures knowledge for fund application to the Adaptation fund and other climate funds and Multilateral Development Banks (MDB's)<sup>8</sup>. Denmark's involvement in GEF, GCF, CIFs, CTCN and AF enhances its dialogue and influence across these funds.

**Project cycle.** A comparative advantage compared to other climate funds, is the AF's ability to fast-track donor money into concrete adaptation initiatives. This is achieved through a stringent yet flexible focus on concrete adaptation, exclusively providing grants (*the GEF, CIF and GCF provide more diverse options such as loans, equity, and risk mitigation instruments*<sup>9</sup>), and prioritizing smaller grants for easier access. Additionally, the AF has developed a transparent accreditation process (including a fast-track process), a simplified proposal submission process with technical clearing, diverse funding windows, and a standardized project agreement and reporting process (see Annex 3 for details).

**Funding, budgets, and operational planning.** The AF can receive resources from various sources of funding, including voluntary contributions from national and sub-national governments, share of proceeds from international carbon markets, and donation from the private sector. The AF was initially set up to be financed with the

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<sup>5</sup> A single audit has two main parts: a financial statement audit and a compliance audit. WB and the AF is audited by Deloitte.

<sup>6</sup> <https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016-OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf>

<sup>7</sup> <https://www.adaptation-fund.org/document/scaling-up-adaptation-finance-experiences-and-lessons-learned-from-the-adaptation-fund-portfolio-of-projects-and-programmes/>.

<sup>8</sup> [Adaptation Fund Climate Innovation Accelerator – UNEP-CTCN | Climate Technology Centre & Network | Wed, 08/12/2020 \(ctc-n.org\)](https://www.adaptation-fund.org/document/scaling-up-adaptation-finance-experiences-and-lessons-learned-from-the-adaptation-fund-portfolio-of-projects-and-programmes/)

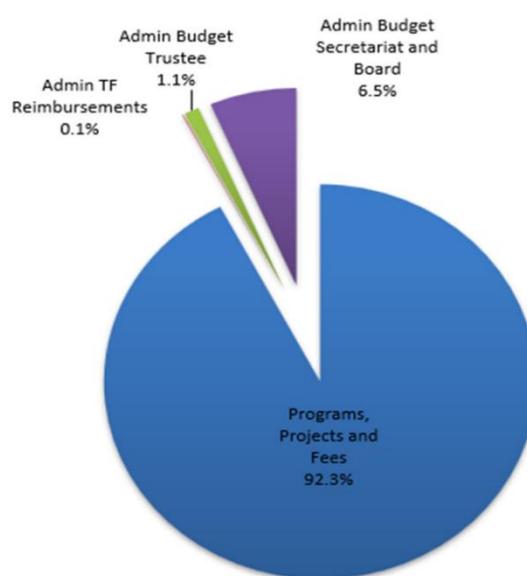
<sup>9</sup> [https://www.adaptation-fund.org/wp-content/uploads/2018/06/AF\\_Phase2\\_Eval\\_4June.pdf](https://www.adaptation-fund.org/wp-content/uploads/2018/06/AF_Phase2_Eval_4June.pdf)

share of proceeds amounting to two per cent from the sales of certified emission reductions (CERs) issued under the clean development mechanism (CDM) of the Kyoto Protocol. These credits can be traded and sold by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol. Parties to the Paris Agreement have decided that the AF shall be financed from the share of proceeds from the Agreement’s multilateral carbon crediting mechanism established by Article 6.4, and from a variety of voluntary public and private sources. An equivalent of 5 per cent of the “share of proceeds” from carbon credits linked to the Article 6.4 multilateral mechanism will be transferred to the AF to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change (UNFCCC 2021, Decision 3/CMA.3). In addition, through Article 6.2, strong encouragement is provided to Parties to provide funding to the Fund voluntarily (ibid., Decision 2/CMA.3).

This innovative funding model makes the Adaptation Fund an innovative funding instrument with a unique institutional set up and ability to channel funding from various sources towards concrete adaptation action in the most climate vulnerable communities in developing countries.

The Fund's main source of resources was originally through sales of CER, but due to a collapse in the carbon market, financing comes today mainly from voluntary contributions. The amount of USD 215.12 million has been received from CER sales and USD 1,456.82 million in donations, totalling cumulative receipts of USD 1,671.94 million as of December 31, 2023. Annex 4 shows the pledges received from different donor countries, with Germany being the largest doner followed by Sweden and Spain.

Annex 5 shows cumulative Funding Decisions as of December 31, 2023. Since inception to December 31, 2023 funding approvals made by the AFB amounted to USD 1,236.95 million, of which USD 1,142.19 million represents approvals for programs, projects, and fees. Funds held in Trust as of December 31, 2023 amounted to USD 954.45 million, excluding USD 3 million set aside for operational reserve<sup>10</sup>.



Source: AD AF Trust Fund Financial Report prepared by the Trustee, 2023

### III. Lessons learnt, key strategic challenges and opportunities

The MTS Review of 2021<sup>11</sup> highlighted the AF’s niche areas as the following: 1) Provides quick and direct financing; 2) Creates new solutions built on what works; 3) Supports innovative solutions with higher risk.; 4) Complements others through catalytic financing; and 5) Brings needed new players into the climate change adaptation space.

The MTS Review from 2021 also acknowledged that “to move forward, however, the AF will need to declare and occupy a clearer niche within the evolving architecture of international climate finance”. Hence, in the final year of the first MTS (2018-2022), the AF has intensified its collaboration with other climate finance delivery channels<sup>12</sup>.

<sup>10</sup> [https://www.adaptation-fund.org/wp-content/uploads/2024/04/AFB.EFC\\_33.3\\_Trustee-report-as-at-31-Dec-2023.pdf](https://www.adaptation-fund.org/wp-content/uploads/2024/04/AFB.EFC_33.3_Trustee-report-as-at-31-Dec-2023.pdf)

<sup>11</sup> [Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund 2021.](#)

<sup>12</sup> [Annual Performance Report 2023 Adaptation Fund.](#)

Consequently, the niche areas and comparative advantage of the Fund have been further specified and refined, to become specific pillars that clearly highlight the Fund's added value compared to other funds. The MTS 2023-27<sup>13</sup> underscores that the AF has established itself as an innovative, pioneering and agile institution in **promoting direct access to finance** for effective adaptation, guided by the principles of **quality, ownership and local participation and empowerment**. Furthermore, the AF has established robust policies and efficient access processes such as **swift approval processes**, which contribute to a timely and high-quality support to developing countries. The Table in Annex 6 provides an overview of key strengths and weaknesses identified in evaluations, reviews and similar assessments of the AF<sup>14</sup>.

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

**Justification for support.** The next 5 to 10 years are crucial for achieving the Paris Agreement's climate goals and the 2030 Agenda's Sustainable Development Goals (SDGs). To support these objectives, Article 7.1 of the Paris Agreement established the Global Goal on Adaptation (GGA), aiming to enhance adaptive capacity, strengthen resilience, and reduce climate vulnerability. At COP28, the UAE Framework for Global Climate Resilience was adopted to guide and advance GGA implementation by 2030, emphasizing locally-led adaptation, gender equality, and Indigenous Peoples' knowledge while clearly linking the Sustainable Development Goals to adaptation action.

Despite growing political support, adaptation finance remains severely underfunded. The UNEP Adaptation Gap Report (2023) estimates that the need for adaptation finance is 10-18 times higher than current flows. Effective adaptation finance requires both increased funding and high-quality, well-targeted projects. However, even when funds are allocated, they often fail to reach local communities. In 2022, only 17% of adaptation finance reached local levels according to the Stockholm Environment Institute.

The aim of the Danish support to the AF is to enhance resilience and increase the ability to adapt to climate change in the poorest and most vulnerable countries and communities with a particular focus on LDCs and SIDS in line with the Danish strategy for development cooperation 'The World We Share' and the Global Climate Action Strategy: A Green and Sustainable World. To this, to deliver on a range of the SDGs, in particular SDG13 and SDG 1. A key objective of the Danish support to the AF is to strengthen Denmark's multilateral support to adaptation to ensure alignment and enhance synergies with Danish bilateral programmes, other multilateral funds and organisations, for example Denmark's support to the UNCDF LoCAL.

With a core contribution to the AF, Denmark will be supporting all the main climate funds in the international climate finance landscape including the GCF, GEF, CIF and CTCN, which allows Denmark to coordinate engagement, strengthening collaboration across climate funds and foster innovation and learning. Denmark also plans to provide core contribution to the new Loss & Damage Fund and the Global Biodiversity Framework Fund in 2024. The contribution to AF will be considered 100 percent adaptation, due to the AF's unique mandate, which is aligned with Denmark's ambition to allocate 60 percent of climate aid in developing countries to adaptation in 2024. Denmark's contribution to the AF will help 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. Additionally, due to the voluntary nature of the Danish contribution (the AF does not follow a replenishment cycle such as GCF and GEF), it is considered a well-regarded contribution among countries in the Global South. Moreover, Denmark's engagement with the AF enhances coordination and communication with countries in the Global South, due to the AF's governance structure, which includes 69 percent representation from the Global South—significantly higher than that of GCF and GEF.

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<sup>13</sup> [Medium-Term Strategy 2023-2027](#).

<sup>14</sup> E.g. AF Medium-Term Strategy 2023-2027, Rapid Evaluation of the AF, Oct. 2023, Mid-Term Review of the MTS 2021, Scaling up adaptation finance: Experiences and lessons learned from the Adaptation Fund portfolio of projects and programme, Annual Performance Report 2023 Adaptation Fund, and <https://www.adaptation-fund.org/document/rapid-evaluation-of-the-adaptation-fund-edited-version>

There are three main advantages that characterize the AF compared to other climate funds:

<p><b>Unique mandate and pioneering role:</b></p>	<p>The AF has a specialized and unique mandate, as per its Strategic Priorities, Policies and Guidelines (SPPGs) (AF 2008), contained in Annex I of the Operational Policies and Guidelines (OPG) that is fulfilling an urgent need of developing countries and a unique niche in the climate finance landscape. In fulfilling this mandate, the AF has been able to pioneer and promote more simplified and enhanced access to adaptation finance than other funding channels, including through direct access and enhanced direct access. Through its dedicated support and requirements for empowering and engaging the most vulnerable groups and communities in all activities financed by the Fund, regardless of the access modality, the AF has established a niche in delivering high-quality and locally-led adaptation (LLA) actions. It has a strong focus on building capacities of national and local institutions including through dedicated readiness support and South-South learning and sharing. The AF Readiness Programme relies on South-South and peer learning as model (rather than through intermediaries for delivery) with regular NIE and country exchanges. The Fund has been a key player in generating evidence and sharing knowledge on effective adaptation action and efficient access to finance. Its innovative approaches to adaptation funding and implementation are being taken up by other adaptation funders (e.g., direct access, locally led adaptation, readiness support that promotes South-South cooperation, gender-responsive climate finance etc.)</p>
<p><b>Relevance, efficiency and effectiveness</b></p>	<p>AF is amplifying financial support to developing countries and helping close the adaptation finance gap. The AF's design is appropriate to generate timely lessons about effective approaches to adaptation finance, especially with regards to "direct access," and scalable and replicable action benefiting the most vulnerable communities and social groups. The AF's design supports pilot activities with substantial potential for scaling up impact at sub-national, national, and regional levels. Further, the Fund pays particular attention to National Adaptation Plans (NAPs) and National Determined Contributions (NDCs) in its programming processes securing that all proposals are consistent with national strategies. The AF is the only multilateral instrument under UNFCCC specifically established to finance concrete adaptation projects and programmes in the most vulnerable developing country Parties and communities. Furthermore, compared to other funding channels, the AF has the advantage of efficient and faster access to resources and simplified approval procedures for effective adaptation. AF accredited NIEs have been accredited by other climate funds such as the GCF and AF funded projects have been successfully scaled up by the GCF and other funders.</p>
<p><b>Agile and nimble institution</b></p>	<p>The AF's governance is unique in several ways resulting in an organizational culture that have been repeatedly stressed by the AF's independent evaluations as a major determinant of the AF's success to date. Among other, the evaluations find that the board composition with a majority of representatives from developing countries has a positive role to play, and foster constructive discussion with equal weight between vulnerable recipient countries and contributor countries<sup>15</sup>. Furthermore, the AF Secretariat and Board have fast project approval procedures (e.g. technical review within 3 weeks of receiving a proposal), and evaluations point to strong relevance and coherence of projects support by the AF<sup>16</sup>.</p>

<sup>15</sup> [AF Medium – Term Strategy 2023-2027](#)

<sup>16</sup> [Rapid Evaluation of the AF, Oct. 2023](#)

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

**Danish Priorities.** The following priority areas will guide Denmark’s partnership and dialogue with the AF, building on the linkages between Denmark’s and the AF’s strategic priorities and achievements. The priority areas also serve to deliver on objectives in Danish development strategy, The World We Share related to adaptation, with particular emphasis on enhancing resilience in the poorest and most vulnerable countries and communities with an emphasis on LDCs and SIDS. The three priorities are also selected because they constitute areas where Denmark have a special interest to obtain data, monitor, learn and ensure efficiency. Lastly, an overall focus for Denmark is to strengthen alignment between the AFs funded projects and programmes and NAPs and NDCs in countries, which are also a Danish priority highlighted in The World We Share and the Danish How-to-Note<sup>17</sup> for implementation of adaptation objectives.

**The project “Reducing the Vulnerability by Focusing on Critical Sectors (Agriculture, Water Resources and Coastlines) in order to Reduce the Negative Impacts of Climate Change and Improve the Resilience of these Sectors” in Costa Rica**, is one of the first locally-led adaptation projects of the AF. Implemented by a Direct Access Entity Fundecooperación para el Desarrollo Sostenible, this multisectoral project aims to help vulnerable populations adapt to warming temperatures, longer dry periods and increasing rainfall intensity that have placed agricultural production, water resources, and natural coastal protections at risk. The programme addresses vulnerability in these critical sectors by working directly with local stakeholders, beneficiaries and organizations to implement tailored, effective adaptation interventions, technical assistance and training that improve climate resilience. About 40 projects from 100 submissions were pre-selected based on criteria ranging from adaptation impact to cost effectiveness and are being implemented by Fundecooperación together with more than 80 local, national and regional organizations acting as executing entities. The programme’s wide-ranging activities enable localized solutions to reach many at-risk communities and ensures equal opportunities for women and men in project planning, implementation and decision-making. More information on this project can be found [here](#) and a project video [here](#). The successful interventions are being scaled-up through a subsequent project “Increasing the Resilience of Vulnerable Populations in Costa Rica by Scaling up Adapta2+” funded by the AF.

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

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

The AF has built up extensive experience with the direct and enhanced direct access modalities with more than 15 years of experience. Through the AF’s direct access modalities, NIEs are able to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through implementation to monitoring and evaluation. In comparison to other climate funds, one of the key strengths of the AF is the relatively fast access modalities. The AF delivers readiness and capacity-building support through its Readiness Programme for Climate Finance<sup>18</sup>, established in 2014, with a range of instruments that include financial and non-financial activities in order to strengthen the capacity of national and regional entities to receive and manage climate financing. In 2019, the Board also approved a funding window for Enhanced Direct Access (EDA) that further devolves financial decision-making to national and local levels with NIEs processing and approving of micro loans and grants for subprojects executed by smaller, often local organizations. The approach of promoting locally led adaptation and enhanced direct access is also reflected in the more recent innovation aggregator programme “AF Climate

<sup>17</sup><https://amg.um.dk/policies-and-strategies/how-to-notes-for-implementation-of-the-danish-strategy-for-development-cooperation>

<sup>18</sup> <https://www.adaptation-fund.org/readiness/>

Innovation Accelerator (AFCIA)” implemented in collaboration with the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), World Food Program (WFP) and United Nations Industrial Development Organization (UNIDO), which facilitate direct access to local communities and vulnerable groups, among others<sup>19</sup>. 50 percent of AF’s portfolio constitute Direct Access.

The MTS emphasizes the AF’s continued focus on access to climate finance, including direct access to finance to national, subnational, and local levels. However, there is still areas for improvement. As highlighted in the lesson learned section, NIEs constitute 60 per cent of all accredited IEs (34 of 57 total) in the AF. But NIEs only managed or are managing implementation of 29 per cent of funds projects approved by June 2022. Meanwhile, MIEs constitute 25 per cent of all IEs and manage 60 per cent of the projects (though 50 percent funding gap). The AF’s focus on direct and faster access is a central Danish priority and Denmark will work to support, promote and enhance the efficiency, delivery and implementation of further strengthening the direct and enhanced direct access modalities in the AF, where possible, including how to link with the other climate funds, in particular GCF.

## **2) The Adaptation Fund further promotes locally led adaptation.**

Climate Adaptation happens in local contexts. The World We Share aims to promote local climate change adaptation and building resilience locally, including nature-based solutions that ensure ownership and involvement of vulnerable people and communities. Denmark has endorsed the Principles for Locally Led Adaptation at COP26<sup>20</sup>, which intend to guide the adaptation community towards adaptation that is increasingly owned and driven by local partners. Locally led adaptation is therefore an overall priority area of the Danish support to the AF.

The locally led priority aligns with the AF’s MTS, emphasizing locally based or locally led adaptation as a crosscutting theme across all Fund activities. This strategic emphasis draws on the Fund’s extensive experience with direct access and enhanced direct access modalities<sup>21</sup>. Additionally, the AF has actively contributed to the development of the Global Commission on Adaptation’s Principles for Locally Led Adaptation (LLA)<sup>22</sup>, endorsed by the AFB (Decision B.35-36/14). These principles guide the Fund’s work during the 2023-2027 period, reflecting a commitment to empowering local communities in adaptation efforts in line with Danish priorities. At its 42<sup>nd</sup> Board meeting in April 2024, the Board approved to set up three dedicated locally-led funding windows that will enhance engagement and leadership of local actors and stakeholders in adaptation projects on the ground, including a new LLA global aggregator program for channelling small LLA grants for entities that are not accredited with the AF through RIEs and MIEs, such as civil society organisations, indigenous peoples’ organisations, local governments, community groups and entrepreneurs. Currently, the AF is the only multilateral climate fund that has established an organisational set up for fully operationalizing the global LLA principles, making it a front-runner on LLA. However, the AF faces several challenges with implementing the LLA in practice. Key challenges include large capacity gaps at local level for planning, implementing and accounting for adaptation finance, and lack of interest in coordinating and mistrust among local actors and central governments institutions (see also section III above). According to the rapid evaluation (2024) the capacity gaps hinders LLA’s full potential and calls for the AF to address these capacity gaps in a more systematic manner, which the evaluation find is currently lacking. Despite these challenges, the AF remains a pioneer in the LLA agenda, funding innovative LLA projects and generating new knowledge that is valuable to other stakeholders. While the AF continues to confront various obstacles, its

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<sup>19</sup><https://www.adaptation-fund.org/apply-funding/innovation-grants/adaptation-fund-climate-innovation-accelerator-afcia/>.

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

<sup>21</sup> For lessons learned from LLA project examples in the AF portfolio, please see the AF publication ”Local Leadership in Adaptation Finance”, available at: <https://www.adaptation-fund.org/document/local-leadership-in-adaptation-finance/>.

<sup>22</sup> <https://www.wri.org/initiatives/locally-led-adaptation/principles-locally-led-adaptation>

ongoing work supports innovative LLA projects<sup>23</sup> and contributes to the creation of new and much-needed knowledge in the field<sup>24</sup>.

Denmark will support the AF in enhancing the crosscutting priority on locally led adaptation through core contribution that will enable the Fund to proactively promote and pursue programme and strategic knowledge development initiatives on locally led adaptation. Denmark will also follow the development and implementation of the new funding windows for locally led adaptation and direct access closely.

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

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

The World We Share commits to make a particular effort to advance gender equality, including promote and protect the rights of girls and women.

The AF similarly commits to promoting gender equality and it is an integral part of the Fund's strategic focus and underlying theory of change. Under the MTS the Fund has continued to committing to working within its operational framework and with its partners to uphold the human rights of everyone, regardless of their gender, and to contribute to gender equality and the empowerment of women and girls through gender-responsive adaptation finance. In this context, the AF launched an e-course in April 2024 to continue to help strengthen capacity building on gender mainstreaming in climate adaptation projects and programmes. Denmark supports the requirement that all AF's activities and programmes must assess how to incorporate gender equality in design, targets, monitoring and reporting of results and that all IE's must commit to the AF's Gender Policy. The AF's gender policy, revised in March 2021, is progressive and builds on the existing gender policies of other climate funds, such as GEF and GCF<sup>25</sup>. It integrates key principles elaborated in the Fund's ESP, especially the principles on access and equity, on consideration of marginalized and vulnerable groups and of human rights. It highlights the principle of gender equality and women's empowerment as the goal that the Fund strives to attain through its processes. It acknowledges and integrates the need to apply an intersectional analysis in addressing gender-related differences in vulnerability and ability to decrease vulnerability and adapt to climate change impacts as a lens to understand the complexity and particularity of inequalities in the lives of women and girls, men and boys, including their systemic barriers and root causes. The Fund will conduct a final independent evaluation in FY 2024 on its gender policy. Denmark will follow this assessment and its recommendations, reflecting the critical role of such concerns in climate adaptation. Denmark expects the AF to continue to ensure focus and integration of gender equality in its activities and to further strengthen lessons learned, knowledge development, and results monitoring of such concerns.

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

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<sup>23</sup>[https://fifspubprd.azureedge.net/afddocuments/project/14674/14674\\_Final%20EDA%20proposal%20for%20Adaptation%20Fund%20RWANDA%20revised%2016%20Sep%2022%20CLEAN.pdf](https://fifspubprd.azureedge.net/afddocuments/project/14674/14674_Final%20EDA%20proposal%20for%20Adaptation%20Fund%20RWANDA%20revised%2016%20Sep%2022%20CLEAN.pdf)

<sup>24</sup> <https://www.adaptation-fund.org/new-adaptation-fund-study-showcases-effective-locally-led-actions-on-the-ground/>

<sup>25</sup>[https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-4\\_GP-and-GAP\\_approved-March2021pdf-1.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-4_GP-and-GAP_approved-March2021pdf-1.pdf)

<b>Priority area / AF cross-cutting theme</b>	<b>1. Enhancing direct access</b>	
Expected results	1.1 “Increased readiness capacity and capacity of national and subnational entities to directly access and programme adaptation finance”	
Indicators	No. of targeted institutions benefitting from direct access: 1.1.1. No. of NIEs accredited 1.1.2. No. of projects implemented through direct access modality 1.1.3. No. of readiness grants approved	
Baseline	2024	1.1.1 32 NIEs accredited as of May 2024 1.1.2. 57 projects implemented through direct access modality 1.1.3. 2-3 readiness grants approved per year <i>Enhanced readiness programme with new grants to be considered in March 2025</i>
Target	2027	Target 1.1.1. 5-8 new NIEs per year [ <i>Internal target included in Secretariat work plan approved by the Board for FY24/25</i> ] Target 1.1.2: 50% of AF resources to NIEs (in line with 50% MIE cap) Target 1.1.3. 5-8 readiness grants per year
<b>Priority area / AF cross-cutting theme</b>	<b>2. Promoting Locally Led Adaptation</b>	
Expected results	2.1 Expanding LLA funding modalities by expanding existing Enhanced Direct Access (EDA) and AF Climate Innovation Accelerator (AFCIA) grants and establishing new LLA grants 2.2 Expand the knowledge base on successful and efficient locally led adaptation actions, including indigenous and traditional knowledge	
Indicator	2.1.1. No. of projects implemented through Locally Led Adaptation, including LLA, EDA, and AFCIA grants 2.2.1 Number of dedicated knowledge products on LLA produced and disseminated 2.2.2 Number of engagements with LLA partnerships	
Baseline	2024	2.1.1. 13 grants as of May 2024 2.2.1. 1 LLA study 2.2.2. 2 LLA partnerships
Target	2027	2.1.1 At least 20 additional projects approved 2.2.1. At least 3 learning products (e-learning course; guidance notes on funding windows) & 5 – 10 newsletters 2.2.2. At least 5 engagements with LLA partnerships
<b>Priority area / AF cross-cutting theme</b>	<b>3. Advancing Gender Equality</b>	
Expected results	3.1 Support women and girls as positive change agents with deep knowledge of adaptation-relevant systems 3.2 Enhanced gender-responsive climate finance	
Indicators	3.1.1. No. of projects and programmes with targeted support to women and girls 3.2.1. No. of projects and programmes assessed with the AF Gender scorecard 3.2.2. No. of knowledge products on gender-responsive climate finance produced and disseminated	
Baseline	2024	3.1.1 At least 50% of AF projects provide targeted support to women and girls, and all projects after the approval of the AF Gender Policy and Action Plan in 2016. However, support to women and girls has not been reported and tracked in a consistent manner, which going forward will be addressed through the gender scorecard. 3.2.1. 0 (since it is a new tool) 3.2.2. Knowledge products and e-learning courses on gender-responsive climate finance produced and disseminated.
Target	2027	<i>All new projects to be assessed with new AF Gender Scorecard at entry, during implementation, and at exit, to better track and monitor the gender progress as well as to better collect and analyze relevant quantitative qualitative data The outcome will be reported to the Board annually.</i>

Results delivered under each of the three Danish priority areas will be monitored through the AF's Annual Performance Report, the annual AFB report to UNFCCC COP and means of communication of results including AF's Gender Scorecard<sup>26</sup>.

Results are communicated via e-mail, AF's website, in News Letters, relevant reports, at sessions at the CMP and CMA, side-events at e.g., COP, Particular Board Papers, and similar means of communication.

## V. Danish approach to engagement with the organisation

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

- *Nordic cooperation:* Denmark will engage with the Nordic donor countries to promote Danish priorities in the AF. Sweden currently serves as alternate board member to the AF and welcomes a Nordic cooperation. Sweden's priorities are amongst others to update and strengthen the ESP and ensuring SEAH policies are in place. Norway is looking into the possibility of becoming member of the AF board and are positive towards a Nordic donor cooperation. Furthermore, Denmark will engage in dialogue with EU donor countries to the AF to enhance synergies in priority areas.
- *Engagement with the AF secretariat:* Denmark will engage and ensure regular dialogue with the AF secretariat to ensure transparency, monitoring, evaluation and learning from AF activities to support DK priorities and bring best practices and learnings from the AF engagement into relevant bilateral and multilateral engagement related to adaptation. Further, Denmark will engage in the AF's stakeholder consultations on policy and strategy development, including the upcoming ones on ESP and SEAH. In addition, Denmark will engage in Contributor Dialogues during the UNFCCC COPs and other AF contributor events. Further, Denmark will participate in the AF yearly High-Level Dialogue at sessions under the CMP and CMA.
- *Participation in Board meetings as observer:* Denmark will participate as observer to the board meetings and coordinate Danish engagement across the green funds through the KLIMA contact group.
- *Engagement with other Danish funded programmes:* KLIMA will share information and coordinate with relevant embassies and other departments in the DK MFA to enhance understanding and synergies between other Danish funded multilateral and bilateral programmes and AF funded projects. With support from KLIMA, Danish embassies will be encouraged to enhance information sharing and learning with embassies from other donor countries. Furthermore, a task force focused on Danish engagement with other multilateral climate funds such as the GEF, GCF, CIF, CTCN and the Loss and Damage Fund has been established to ensure coordination, monitoring and sharing of best practices across Denmark's engagement within the multilateral climate funds.
- *Secondment or JPO to the AF secretariat:* Denmark will consider funding a secondment or JPO to the AF Secretariat during the contribution period, aimed at building relationships, monitoring for learning purposes, supporting Danish priorities within the AF, and deepening understanding of the AF for future Danish engagement. This aligns with Denmark's engagement with other multilateral climate funds.
- *Civil society engagement:* Denmark will focus on how to ensure civil society engagement in the AF. This includes a regular dialogue with Danish CSOs, as well as engaging with likeminded donors on how to enhance civil society voices and engagement in the AF.

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<sup>26</sup>[www.adaptation-fund.org/wp-content/uploads/2022/10/AF-gender-guidance\\_Sep-2022.pdf](http://www.adaptation-fund.org/wp-content/uploads/2022/10/AF-gender-guidance_Sep-2022.pdf)

- Denmark will, through the present support period 2024-2027, consider the possibility of a subsequent contribution. This process will be informed by a review in 2026.

The Danish core contribution to the AF will be anchored in Team Adaptation in KLIMA, which will be responsible for the Danish engagement.

Denmark has no previous experience with the AF, but synergies with Danish Bilateral programmes with e.g. NIEs in countries with Danish representation will be explored as well as coordination with other relevant organisations Denmark supports such as the UNCDF LoCAL in Uganda and FFLOCA in Kenya. Denmark is strong in specific sectors relevant to adaptation in particular within water and food security and agriculture (see Annex 7), which are also key sectors that the AF supports. Potential avenues for enhancing learning, effectiveness and synergies between the work of the AF and Denmark within the geographic and thematic overlap will be an attention point in the Danish engagement with the AF.

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

## VI. Budget

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

DKK mil.	Q4 2024	Q4 2025	Q4 2026	Q4 2027	Total
Disbursement	25	25	25	25	100

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

The Fund addresses risk management through the following mechanisms:

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

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

3) Terms of Reference of the EFC: The EFC is primarily responsible for overseeing the IEs and advises the Board on issues of conflict of interest, ethics, finance and audit. The EFC initially considers allegations or evidence about such issues as misuses of funds or misrepresentation and makes recommendations for approval by the Board.

4) Anti-corruption procedures are guided by the AF Zero Tolerance Policy<sup>27</sup> for the Board and the Ad Hoc Complaint Handling Mechanism (ACHM). ACHM promote accountability of the AF and responds to complaints raised

<sup>27</sup> [www.adaptation-fund.org/wp-content/uploads/2014/09/Zero-tolerance-policy-for-the-Board-Oct2014.pdf](http://www.adaptation-fund.org/wp-content/uploads/2014/09/Zero-tolerance-policy-for-the-Board-Oct2014.pdf)

against a project or programme financed by the AF. Complainants and IEs are supposed to use the IEs' grievance mechanism as a first step. However, the ACHM can be directly used in cases where the Parties have failed to reach a mutually satisfactory solution through the IEs' grievance mechanism within a year. The AFB Secretariat independently manages all aspects related to the ACHM, under the oversight of the EFC of the Board. The ACHM is complementary to the AF's risk management framework, including a grievance mechanism of IEs<sup>28</sup>.

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

Type of risk	Board members and alternates	Secretariat staff, consultants and trustee	Implementing Entities
Ethical	- Rules of Procedures - Code of Conduct - Zero Tolerance policy on corruption	- World Bank rules and procedures	- Operational policies and guidelines
Financial	- Rules of Procedures - Code of Conduct - Zero Tolerance policy on corruption	- World Bank rules and procedures	- Operational policies and guidelines
Environmental /Social	N/A	- World Bank rules and procedures	- Operational policies and guidelines (Env. & Social Policy, and Gender Policy <sup>29</sup> )

Annex 8 includes the overall risk to be monitored as part of the Danish Organisational Strategy.

<sup>28</sup><https://www.adaptation-fund.org/projects-programmes/accountability-complaints/ad-hoc-complaint-handling-mechanism-achm/>

<sup>29</sup> [https://www.adaptation-fund.org/wp-content/uploads/2017/08/Amended-OPG\\_Oct-2022\\_2.pdf](https://www.adaptation-fund.org/wp-content/uploads/2017/08/Amended-OPG_Oct-2022_2.pdf)

VIII. Annex

**Annex 1: Theory of change 2023-2027**

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



**Theory of change statement**



## Annex 2: Overview of NIE, RIE and MIE

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

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

Source: AF Annual Performance Report, 2023

### Annex 3: Project cycle

<p><b>Accreditation</b></p>	<p>Accreditation follow a transparent and systematic process (nomination -&gt; application -&gt; screening by AF secretariat -&gt; review by AF Accreditation Panel (AP) -&gt; AP recommendation -&gt; approval by AFB)<sup>30</sup>. Applicants must be nominated by a Designated Authority. Accreditation is valid for a period of 5 years.</p> <p>To promote direct access and also allow smaller developing countries with less capacity to accredit their national entities, the AF offers a “streamlined accreditation process” in addition to the regular accreditation process. This process is designed to open up possibilities for a smaller NIE to access the resources of the Fund while taking into account the limited capacities of these entities<sup>31</sup>.</p> <p>Last, applicants can apply through the fast-track accreditation process, if they are accredited by GCF or vice versa<sup>32</sup>.</p>	<p>In order to become accredited, entities are required to meet the fiduciary standards and to commit to comply with the Environmental and Social Policy and the Gender Policy<sup>33</sup>.</p> <p>The IEs are i.a. responsible for the auditing, anti-corruption precautions, whistleblowing arrangement and results reporting.</p> <p>The AF has made available several small grants under the Readiness Programme to help NIEs provide peer support to countries seeking accreditation with the Fund and to build capacity for undertaking various climate finance readiness activities (South-South Cooperation<sup>34</sup>).</p>
<p><b>New proposal submission process<sup>35</sup></b></p>	<ol style="list-style-type: none"> <li>1. Submission of project proposals and concepts on a rolling basis for all funding windows. Simplified requirements and templates available<sup>36</sup>.</li> <li>2. AF secretariat delivers a technical review within 3 weeks of receiving a proposal, &amp; IEs have up to 3 weeks to resubmit a revised proposal after having received the technical review.</li> <li>3. The AFB considers proposals and concepts that are technically cleared during its biannual Board meetings.</li> </ol>	<p>Most proposals are initiated by applicants. Some funding windows allow RIE and MIE to do call for proposal for smaller grants.</p> <p>All projects need to be in accordance with priorities laid out in national strategies and plans or in Nationally Determined Contributions.</p> <p>The 3-week rule and technical clearing is unique to the AF and allows a faster and non-political process. To date, all technical ready proposals have been approved by the board.</p> <p>According to the AF, the new process has decreased processing time.</p>

<sup>30</sup> <https://www.adaptation-fund.org/apply-funding/accreditation/>

<sup>31</sup> <https://www.adaptation-fund.org/apply-funding/accreditation/>

<sup>32</sup> [https://www.adaptation-fund.org/wp-content/uploads/2024/04/Gap-Analysis-AFB\\_B\\_42\\_5.pdf](https://www.adaptation-fund.org/wp-content/uploads/2024/04/Gap-Analysis-AFB_B_42_5.pdf)

<sup>33</sup> [https://www.adaptation-fund.org/wp-content/uploads/2017/08/Amended-OPG\\_Oct-2022\\_2.pdf](https://www.adaptation-fund.org/wp-content/uploads/2017/08/Amended-OPG_Oct-2022_2.pdf)

<sup>34</sup> [https://www.adaptation-fund.org/wp-content/uploads/2017/02/Readiness-Grant-Agreement-Template\\_SSC-and-Readiness-Package\\_final\\_clean\\_v2\\_YL1.pdf](https://www.adaptation-fund.org/wp-content/uploads/2017/02/Readiness-Grant-Agreement-Template_SSC-and-Readiness-Package_final_clean_v2_YL1.pdf)

<sup>35</sup> Been in place since early 2023. No data available yet.

<sup>36</sup> <https://www.adaptation-fund.org/apply-funding/project-funding/>

Funding windows	FUNDING TYPE		Accredited Entity Type	Maximum Funding Amount per Project/Program
 <p><b>ACTION</b> Action grants support eligible countries to undertake high quality adaptation projects/programmes consistent with their priority needs, goals and strategies.</p>	<p><b>Single Country:</b> For addressing climate change impacts in one country through tangible outcomes</p>		NIE, RIE, MIE	USD 10 Million per Project/Programme*
	<p><b>Regional:</b> For addressing climate change impacts in 2+ countries in the same United Nations region, or adjacent regions, through tangible outcomes</p>		RIE, MIE	USD 14 Million per Project/Programme (excluding the PFG)**
	<p><b>Enhanced Direct Access:</b> Supports bottom-up approaches through local knowledge and locally led action. Project selection occurs at national/sub-national levels.</p>		NIE	USD 5 Million per Project/Programme (including the PFG)
	<p><b>Project Scale Up:</b> Supports planning, design and overall capacity to develop scale-up pathways for AF funded projects nearing completion or already completed</p>		NIE	USD 100,000 per Project/Programme
 <p><b>INNOVATION</b> Innovation grants support the development and diffusion of innovative adaptation practices, tools and technologies.</p>	<p><b>Small (single country):</b> To accelerate development of innovative practices, tools and technologies and demonstrate best practices for scale-up</p>		NIE	USD 250,000 per Project/Programme
	<p><b>Large (single country or regional):</b> To roll out or scale-up successful innovative practices, tools and technologies to a new country or at regional scale, involving 2+ countries/regions</p>		NIE, MIE, RIE***	USD 5 Million per Project/Programme
	<p><b>Adaptation Fund Climate Innovation Accelerator:</b> Administered by UNDP &amp; UNEP/CTCN to accelerate the development of innovative practices, tools and technologies and demonstrate best practices for scale-up</p>		Non-accredited****	USD 250,000 per Project/Programme
 <p><b>LEARNING &amp; SHARING</b></p>	<p><b>Learning Grants:</b> support the generation and dissemination of practical knowledge about effective adaptation activities and financing modalities to actors around the world</p>		NIE	USD 150,000 per Project/Programme
 <p><b>READINESS</b> Readiness grants enable NIEs to provide peer support to countries seeking accreditation with the Fund and build capacity for undertaking various climate finance readiness activities.</p>	<p><b>Readiness Support Package Grant:</b> Facilitate the delivery of more enhanced, targeted and tailored readiness support for accreditation to developing countries</p>		NIE	USD 150,000 per NIE
	<p><b>Technical Assistance Grant for the Environmental and Social Policy and Gender Policy:</b> For NIEs to strengthen capacity to address and environmental and social risks as well as gender related issues in their projects and programs</p>		NIE	USD 25,000 per NIE
	<p><b>Technical Assistance Grant for the Gender Policy:</b> For NIEs with robust environmental and social policies to enhance measures to avoid, minimize and/or mitigate adverse gender impacts</p>		NIE	USD 10,000 per NIE
<p>37</p> <p>*NIEs applying for single country projects through 2-step submission process (concept note; fully-developed proposal) with concept note can request a Project Formulation Grant (PFG) up to USD 50,000 in addition to the USD 10 million grant. Up to 10 million USD per project/programme within cap of 20 million USD per country.</p> <p>**RIEs and MIEs applying for regional projects (2+ countries) through the 3-step submission process (pre-concept note; concept note; fully-developed proposal) can request a PFG up to USD 20,000 with a pre-concept note and with a concept note a PFG up to USD 80,000. Those using the 2-step submission process (concept note; fully-developed proposal) can ask for PFG up to USD 100,000 with the concept note.</p> <p>***For NIEs submitting proposals for large innovation grants, there is an opportunity to request a PFG of up to USD 50,000 per project. For a project for which PFG funding is sought, the total amount of funding inclusive of PFG cannot exceed USD 5 million. RIEs and MIEs submitting concept notes for large innovation grants for regional projects can request a PFG of up to USD 30,000. All IEs can apply to single country innovation large grants and MIE and RIEs only can apply to regional innovation large grants</p> <p>****Open to wide range of applicants, including local governments, NGOs, young entrepreneurs, the private sector and others</p>				
<p><b>Project agreement</b></p>	<p>Standardized legal agreement<sup>38,39</sup>. No bargaining.</p>			<p>According to the AF, it takes approximately six months from Board approval to first disbursement.</p>
<p><b>Project reporting requirements</b></p>	<p><u>Results reporting</u></p> <ul style="list-style-type: none"> <li>- Annual Project Performance Reports</li> <li>- Project Completion Summary Report, within six months after project completion</li> <li>- Midterm Review or Evaluation report, for projects of four-year duration or more</li> </ul>			<p>Project Performance Reports has to follow AF template, which includes the following sections<sup>41</sup>:</p> <ol style="list-style-type: none"> <li>1. Project Milestones</li> <li>2. Financial Information</li> <li>3. Procurement</li> <li>4. Risk Management</li> </ol>

<sup>37</sup> <https://www.adaptation-fund.org/readiness/news-seminars/all-af-funding-windows-graphic/>

<sup>38</sup> [https://www.adaptation-fund.org/wp-content/uploads/2011/10/AF\\_PFG\\_Agreement\\_clean\\_-23Aug.2021\\_2-1.pdf](https://www.adaptation-fund.org/wp-content/uploads/2011/10/AF_PFG_Agreement_clean_-23Aug.2021_2-1.pdf)

<sup>39</sup> [https://www.adaptation-fund.org/wp-content/uploads/2011/10/AF-Standard-Legal-Agreement\\_Revised-Dec2020\\_final-3.pdf](https://www.adaptation-fund.org/wp-content/uploads/2011/10/AF-Standard-Legal-Agreement_Revised-Dec2020_final-3.pdf)

<sup>41</sup> [Guidance-Document-to-Complete-PPR-2.pdf \(adaptation-fund.org\)](https://www.adaptation-fund.org/wp-content/uploads/2011/10/Guidance-Document-to-Complete-PPR-2.pdf)

	<p>- Final Evaluation Report, prepared by an independent evaluator. Shall be submitted within 9 months after Project completion.</p> <p><u>Auditing:</u></p> <p>IEs are required to submit final audited financial statement of the Implementing Entity Grant Account(s) including net investment income earned, prepared by an independent auditor or evaluation body, within six months of the end of the Implementing Entity's financial year during which the Project is completed<sup>40</sup>.</p>	<ol style="list-style-type: none"> <li>5. Environmental and Social Policy (ESP) compliance</li> <li>6. Gender Policy compliance</li> <li>7. Rating</li> <li>8. Project Indicators</li> <li>9. Lessons learned</li> <li>10. Results Tracker</li> </ol>
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#### Annex 4: Pledges received from donor countries

The table below shows the pledges received from different donor countries. The last column includes the pledges received in USD.

##### Donations (in millions) by 31st Dec. 2023

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

<sup>40</sup> <https://www.adaptation-fund.org/wp-content/uploads/2019/06/Instructions-for-audited-financial-statements.pdf>

Switzerland	USD	0,08	0,08	0,08
Switzerland	CHF	38,00	34,00	35,91
UK	GBP	25,00	25,00	33,14
UN Foundation	USD	0,07	0,07	0,07
UNFCCC	USD	20,00	20,00	20,00
USA	USD	100,00	25,00	25,00
<b>Total</b>				<b>1.456,82</b>

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

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## Annex 5: Cumulative Funding Decisions as of December 31, 2023

In USD millions

<b>1. Programs, Projects and Fees</b>	<b>MIE/RIE/NIE</b>	<b>MIE</b>	<b>RIE</b>	<b>NIE</b>		<b>1,142.19</b>
Antigua and Barbuda	ABED	-	-	10.00	a/	
Argentina	UCAR	-	-	5.38	a/	
Argentina	WB	4.22	-	-		
Armenia	EPIU	-	-	4.00	a/	
Bangladesh	UNDP	10.00	-	-		
Belize	WB	5.63	-	-		
Belize	PACT	-	-	5.10	a/ d/	
Benin	FNE	-	-	0.06	a/	
Bhutan	BTSEC	-	-	10.05	a/ d/	
Cambodia	UNEP	4.95	-	-		
Cambodia	UN HABITAT	5.00	-	-		
Cameroon	IFAD	9.98	-	-		
Central African Republic	IFAD	10.00	-	-		
Chile	AGCI	-	-	9.99	a/	
Colombia	UNDP	8.52	-	-		
Congo	WFP	10.00	-	-		
Cook Islands	UNDP	5.38	-	-		
Cook Islands	MFEM	-	-	3.00		
Costa Rica	FDS	-	-	20.05	a/	
Cote d'Ivoire	IFAD	6.00	-	-		
Cote d'Ivoire	FIRCA	-	-	4.05	a/	
Cuba	UNDP	6.07	-	-		
Djibouti	UNDP	4.66	-	-		
Djibouti	IFAD	5.34	-	-		
Dominican Republic	IDDI	-	-	9.98	a/	
Ecuador	WFP	7.45	-	-		
Ecuador	CAF	-	2.49	-		
Egypt	WFP	9.98	-	-		
El Salvador	UNDP	8.48	-	-		
Eritrea	UNDP	6.52	-	-		
Ethiopia	MOFEC	-	-	9.99		
Fiji	UN HABITAT	4.24	-	-		
Gambia	WFP	10.00	-	-		
Georgia	UNDP	5.32	-	-		
Georgia	IFAD	4.64	-	-		
Ghana	UNDP	8.29	-	-		
Guatemala	UNDP	5.43	-	-		
Guinea Bissau	BOAD	-	9.98	-		
Haiti	UNESCO	9.92	-	-		
Honduras	UNDP	10.00	-	-		
Honduras	CASM	-	-	0.05	a/	
India	NABARD	-	-	9.98	a/	
Indonesia	KEMITRAAN	-	-	10.17	a/	
Iraq	IFAD	10.00	-	-		
Jamaica	PIOJ	-	-	10.00	a/	
Jordan	MOPIC	-	-	9.26	a/	

<b>1. Programs, Projects and Fees</b>	<b>MIE/RIE/NIE</b>	<b>MIE</b>	<b>RIE</b>	<b>NIE</b>	
<i>(continued)</i>					
Kenya	NEMA	-	-	10.00	
Kyrgyz Republic	IFAD	10.00	-	-	
Lao, PDR	UN HABITAT	17.56	-	-	
Lebanon	IFAD	7.86	-	-	
Lesotho	WFP	10.00	-	-	
Liberia	IFAD	9.59	-	-	
Libya	IFAD	10.00	-	-	
Madagascar	UNEP	5.10	-	-	
Malawi	WFP	9.99	-	-	
Malaysia	UN HABITAT	10.00	-	-	
Maldives	UNDP	8.99	-	-	
Mali	UNDP	8.53	-	-	
Mauritania	WFP	7.56	-	-	
Mauritius	UNDP	9.12	-	-	
Micronesia	SPREP	-	9.00	-	
Micronesia	MCT	-	-	1.00	a/
Moldova	IFAD	6.01	-	-	
Mongolia	UNDP	5.50	-	-	
Mongolia	UN HABITAT	12.46	-	-	
Montenegro	IFAD	10.00	-	-	
Morocco	ADA	-	-	10.00	a/
Myanmar	UNDP	7.91	-	-	
Namibia	DRFN	-	-	5.11	a/ d/
Nauru	SPC	-	8.00	-	
Nepal	WFP	9.53	-	-	
Nicaragua	UNDP	5.50	-	-	
Niger	BOAD	-	9.91	-	
Niger	BAGRI	-	-	0.05	a/
Pakistan	UNDP	3.91	-	-	
Pakistan	UN HABITAT	6.09	-	-	
Panama	FN	-	-	10.00	a/
Papua New Guinea	UNDP	6.53	-	-	
Papua New Guinea	SPC	-	10.00	-	
Paraguay	UNEP	7.13	-	-	
Peru	PROFONANPE	-	-	7.00	
Peru	CAF	-	7.58	-	
Rwanda	MINIRENA	-	-	15.10	a/ c/
Samoa	UNDP	8.72	-	-	
Senegal	CSE	-	-	9.64	a/
Seychelles	UNDP	6.46	-	-	
Sierra Leone	IFAD	9.92	-	-	
Solomon Islands	UNDP	5.53	-	-	
Solomon Islands	UN HABITAT	4.40	-	-	
South Africa	SANBI	-	-	9.93	a/
Sri Lanka	WFP	7.99	-	-	
Sri Lanka	UN HABITAT	2.00	-	-	
St. Lucia	CDB	-	9.86	-	
Syria	UN HABITAT	10.00	-	-	

<b>1. Programs, Projects and Fees</b>	<b>MIE/RIE/NIE</b>	<b>MIE</b>	<b>RIE</b>	<b>NIE</b>
<i>(continued)</i>				
Tajikistan	UNDP	10.00	-	-
Tanzania	UNEP	5.01	-	-
Tanzania	NEMC	-	-	5.03 a/
Trinidad and Tobago	CAF	-	10.00	-
Tunisia	IFAD	10.00	-	-
Turkmenistan	UNDP	2.93	-	-
Tuvalu	MFED	-	-	0.05 a/
Uganda	OSS	-	7.75	-
Uganda	MWE	-	-	9.60 a/ d/
Uruguay	ANII	-	-	10.00 a/
Uzbekistan	UNDP	5.42	-	-
Vietnam	UN HABITAT	6.35	-	-
Zimbabwe	UNESCO	5.00	-	-
Zimbabwe	EMA	-	-	0.05 a/ d/
Regional		177.46	106.39	- a/ b/
Accreditation Support		-	-	1.38
Technical Assistance		-	-	0.52
Innovation & Learning		35.06	-	2.60
Sub-Total by IE type		713.10	190.96	238.13
<b>% Total Programs, Projects &amp; Fees</b>		<b>62%</b>	<b>17%</b>	<b>21%</b>
<b>2. Administrative Budget</b>				<b>94.76</b>
AF Administrative Trust Fund				0.69
Administrative Budget - Trustee				13.73
Administrative Budget - AF Board and Secretariat				80.34
<b>3. Total Funding Decisions (3 = 1 + 2)</b>				<b>1,236.95</b>
a/ Includes approved Project Formulation Grant amounts				
b/ Includes approved regional projects				
c/ Includes approved grant application to develop a scale-up proposal				
d/ Includes approved Project Formulation Assistance amounts				

Note: totals may not add up to due to rounding

## Annex 6: Strengths and weaknesses

Strengths	Weaknesses
A key channel for adaptation finance and one the only fund dedicated to concrete adaptation that is able to use its position and funds to amplify impact and prioritize the most vulnerable through fast, catalytic, innovative, and high-quality concrete adaptation projects and programmes, and additional funding for innovation and learning and sharing.	Limited and unpredictable levels of funding, against the increasing need for resources to be able to face the negative impacts and effects of climate change.

<p>Solid track record of supporting concrete adaptation projects/programmes in vulnerable countries with tangible results and impact on the ground through established efficient and simplified operational policies, procedures, and systems, including for accreditation and project submission and approval.</p>	<p>There is scope for expansion when it comes to partnerships. The challenge of engaging “new” actors has been noted in early reporting on the Innovation Accelerator.</p>
<p>Facilitating the Scaling-up of adaptation interventions by collaborating with other funds. More than 20 AF projects/programmes in a range of sectors have been scaled up by other climate funds, particularly with funding from the GCF.</p>	
<p>The AF is responsive to country needs by supporting and accrediting national institutions through simplified and efficient processes, including fast-track and streamlined accreditation modalities that are aligned to national and local circumstances, involve local stakeholders, and ensuring coherence with other funds.</p>	
<p>The AF is a leader in the area of locally led adaptation as the only fund that has fully operationalized the LLA principles with dedicated funding windows, review criteria and impact indicators.</p>	<p>AF faces challenges in light of weak capacities of local actors. Furthermore, the results of readiness work are not sufficiently systematized to counteract this lack of capacity.</p>
<p>Pioneer and leader of the direct access and enhanced direct access modalities with benefits visible across the AF and beyond AF funded activities through the enhanced capacity of NIEs to access funding from other sources.</p>	<p>Only 34 of 141 eligible countries (less than 25 per cent) have an accredited entity at the AF. In addition, the accreditation of an NIE does not necessarily translate into actually accessing the Fund. NIEs constitute 60 per cent of all accredited IEs (34 of 57 total) (<i>Compared to GCF: 52 per cent NIE<sup>42</sup></i>). However, NIEs only managed or are managing implementation of 29 per cent of the 132 Fund projects approved by June 2022. Meanwhile, MIEs constitute 25 per cent of all IEs and manage 60 per cent of the projects. Regional Implementing Entities (RIEs) implement the rest.</p> <p>In this regard, the Board has decided that the cumulative budget allocation for funding projects submitted by MIEs, should not exceed 50 per cent of the total funds available for funding decisions in the Adaptation Fund Trust Fund at the start of each session.</p>
<p>Substantially advanced in prioritizing local voices and delivering local-level benefits</p>	<p>Need to strengthen local capacities for planning, implementing and accounting for adaptation finance, as capacity gaps hinder LLA’s full potential.</p>
	<p>Projects have met limitations to LLA due to lack of local governments and organizations or their weak capacities; lack of interest in coordinating and mistrust among local actors and central government institutions; and lack of willingness and capacity to ensure continuity and sustainability of projects’ results. Gaps and pathways to address these</p>

<sup>42</sup> <https://www.greenclimate.fund/about/partners/ae>

	challenges have not yet been systematically analysed by the AF.
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## Annex 7: Examples of Denmark’s adaptation engagement in the water and food sectors

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

## Annex 8: Risk Management Framework

Risk factor	Risk response	Likelihood	Impact	Residual risk
<b>Contextual risks</b>				
Decreasing global political interest and decline in support of climate finance, in particular to adaptation.	Continued Danish green diplomacy in relevant spaces including COPs and climate summits. Building alliances and bilateral agreements	Unlikely	Major	Minor - The AF will continue to raise awareness, collaborate with partners and amplify voices on the need to increase global level of adaptation finance.
Decreasing global private sector co-financing commitment to climate co-financing, in particular to adaptation	The AF Secretariat is developing networks and focus on private sector.	Unlikely	Major	Minor – AF Board will consider efforts to enhance private sector co-financing.
Adverse impacts from climate change e.g. extreme weather, droughts and floods putting resources and vulnerable populations at risk, particularly exacerbate challenges and security issues in fragile and conflict-torn countries.	AF is monitoring and sharing lessons on climate change adaptation in fragile and conflict-affected settings as the first climate fund with a dedicated publication with examples from its portfolio <sup>43</sup> . Learnings support the mitigation of adverse impacts and how adaptation finance can benefit such settings.	Likely	Major	Major – AF continues to collect information and evidence for the potential of climate adaptation projects to have a positive impact in reducing conflict and fragility, and how to address the specific challenges and circumstances of conflict-affected settings in adaptation projects <sup>44</sup> .
<b>Programmatic risks</b>				
Insufficient resources to meet the funding demand, especially for adaptation projects from LCDs and SIDS	AF is continuing its efforts to increase resources for the Fund in addition to working on improving access and projects impact.	Likely	Major	Major– Increased the numbers of AF financing windows
Insufficient capacity in LDCs and SIDS to develop national project proposals	AF is promoting and enhancing modalities for access and capacity development through an enhanced readiness programme currently under development.	Likely	Major	Major – continued capacity development and accreditation of NIEs and smaller NIEs will be required for a foreseeable future.
Competition with other funds	The AF Secretariat is strengthening its complementarity and coherence, as well as synergies with other climate finance providers e.g. the Green Climate Fund to scale successful AF projects	Unlikely	Insignificant	Minor – the collaboration between the AF and other Multilateral Climate Funds, incl. the GCF, is showing positive results.

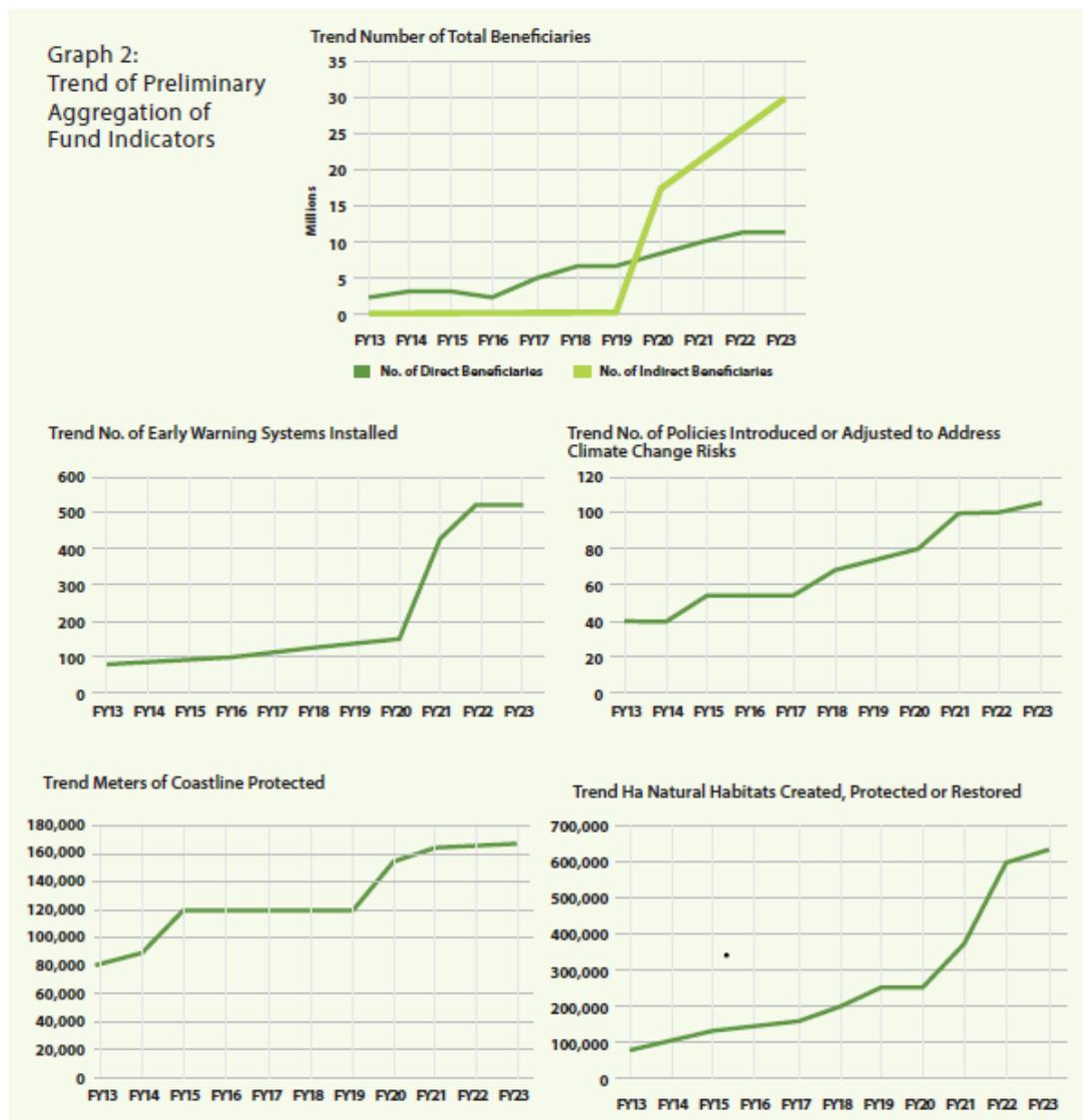
<sup>43</sup> <https://www.adaptation-fund.org/new-adaptation-fund-study-shows-importance-of-addressing-climate-change-in-context-of-fragile-and-conflict-affected-settings>.

<sup>44</sup> <https://www.adaptation-fund.org/wp-content/uploads/2024/02/climate-change-adaptation-in-fragile-settings-2024.pdf>

Insufficient attention and support to most vulnerable and marginalised populations	AF has a particular focus on vulnerable and marginalised populations	Unlikely	High	Minor – AF will continue prioritising e.g. locally led adaptation projects in vulnerable and marginalised communities
Insufficient project risk assessment due to inadequate Environmental and Social Policy	AF is in process of reviewing and updating the ESP policy	Unlikely	Minor	Minor – with the updated ESP, the AF will meet ESP standards at international comparator level
Misconduct of AF funds within executing entities – reputational and fiduciary risk.	Application of due diligence, Audits and Anti-corruption procedures. <sup>45</sup>	Unlikely	High	Minor- AF due diligence continues, annual project audits and anti-corruption procedures.
<b>Institutional risks</b>				
Insufficient capacity in the AF Secretariat to manage the increase in programming resources and project proposals within a reasonable timeframe	The AF has built up procedures for fast project approval processes both within the Secretariat and the Board.	Unlikely	Minor	Minor – the AF has simplified its proposal submission process
Decline in Board efficiency due to Russia’s obstruction of election of European Board members	The Board is governed by a new and agreed MTS 2023-2027 and will continue to approving projects.	Unlikely	Minor	Minor – there is a high demand from numerous EU donor countries to join the AF

<sup>45</sup> [www.adaptation-fund.org/wp-content/uploads/2014/09/Zero-tolerance-policy-for-the-Board-Oct2014.pdf](http://www.adaptation-fund.org/wp-content/uploads/2014/09/Zero-tolerance-policy-for-the-Board-Oct2014.pdf)

## Annex 9: Examples of results



11. Approved projects for the Multilateral Implementing Entities Innovation Aggregator are not included in this analysis.

## Africa (example)



Source: AF Annual Performance Report, 2023

## Annex 10: Partner Assessment of the Adaptation Fund

### 1. Brief presentation of partners

The Adaptation Fund (AF) is the only multilateral instrument under the UNFCCC specifically established to finance concrete adaptation projects in developing countries and is a key financial mechanism for the implementation of the Paris Agreement. The aim of the Danish support to the AF is to enhance resilience and increase the ability to adapt to climate change in the poorest and most vulnerable countries with a particular focus on LDCs and SIDS in line with the Danish strategy for development cooperation 'The World We Share'. With a core contribution to the AF, Denmark will be supporting the main climate funds including the GCF, GEF and CIP, which allows Denmark to coordinate engagement, strengthening collaboration across climate funds and foster innovation and learning.

### 2. Summary of partner capacity assessment

AF focuses on accelerating adaptation and finance access for developing countries. Denmark's contribution, though small, is core funding, giving AF high influence over projects. Strengths include rapid fund deployment and successful project scaling, but AF faces funding unpredictability and capacity challenges in LDCs/SIDS. The financial management by the World Bank ensures satisfactory financial capacity.

### 3. Summary of key partner features

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/programme for the partner's activity-level (Low, medium high)?</i>	Influence <i>How much influence does the partner have over the project/programme (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>
The Adaptation Fund (AF)	Serve the Paris Agreement by accelerating effective adaptation and efficient access to finance, including through direct access, to respond to the urgent needs and priorities of developing countries.	Low. AF had an annual turnover of USD 1,671.94 million in 2023. The Danish contribution is DKK 100 million over four years, equivalent to less than 1% of the total cumulative receipts	High Denmark's contribution is core funding.	Support country-driven adaptation projects and programmes, innovation, and learning with concrete results at the local level that can be scaled up.	Strength: Capable of fast-tracking donor money into concrete adaptation initiatives. AF accredited NIEs have been accredited by other climate funds such as the GCF and AF funded projects have been successfully scaled up by the GCF and other funders.  Weakness: Limited and unpredictable levels of funding. NIEs only manage implementation of 29 per cent of the 132 Fund projects.  Opportunities: Denmark will be supporting all the main climate funds in the international climate finance landscape including the GCF, GEF and CIP, which allows Denmark to coordinate engagement, strengthening collaboration across climate funds and foster innovation and learning.	No special requirements after end of contract

					<p>Threats: Insufficient resources to meet the funding demand, especially for adaptation projects from LCDs and SIDS + insufficient capacity in LDCs and SIDS to develop national project proposals.</p> <p>Financial: Received funds are managed in the AF Trust Fund by the World Bank as the trustee. Upon AF board approvals, the trustee set aside funds for projects and grants and transfer the funds to implementing entities. The trustee also invests funds when such funds are available. Similarly, upon AFB approvals, the trustee transfers administrative budgets of the Board and secretariat from the AF trust fund to the secretariat child accounts annually. Budget is covered by both the WB's internal audit and external audit. IEs are required to submit final audited financial statement of each finished project, carried out by an external auditor. The AF has not been subject to a MOPAN. Based on dialogue with Norway and Sweden (like-minded donors), standardized requirements for auditing fund projects and the World Bank as trustee, the Adaptation Fund is assessed to have satisfactory financial capacity.</p>
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