

# Unlocking Sustainable Investments at Scale towards Adaptation (USISA). Partnership with Nordic Development Fund

<p><b>Key results:</b> The overall aim of the USISA programme is to mobilise private capital for increased resilience of emerging markets and development economies to climate impacts. The partnership with Nordic Development Fund will contribute to this by providing catalytic financing for climate adaptation projects in Africa with the aim of mobilising additional climate finance. The blended financing will de-risk investments and demonstrate commercial viability in the adaptation space; and, incentivise fund managers to deploy their expertise to address the financing needs associated with climate adaptation, thereby growing the universe of investment vehicles private sector investors can use to invest towards climate adaptation. This will be done by:</p> <ol style="list-style-type: none"> <li>1. Identifying experienced fund managers and investment partners through the Investment Collaboration Alliance for climate adaptation projects in Sub-Saharan Africa, mobilising capital and support countries and vulnerable population in becoming more resilient and adapt to the adverse effects of climate change.</li> <li>2. Providing concessional and catalytic financing to mobilise additional climate finance towards climate adaptation in Sub-Saharan Africa, growing the universe of investment vehicles that private sector investors can use to invest in climate adaptation.</li> </ol> <p><b>Justification for support:</b></p> <p>Mobilisation of private capital for climate has increased rapidly over the last decade but most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind causing a significant gap in adaptation implementation. There is an urgent need to increase investments in climate adaptation and resilience in developing countries. Sufficient finance will enable both public and private actors to implement adaptation measures and manage the risks and impacts from climate change while also pursuing sustainable development goals.</p>	<b>File No.</b>	25/11008					
	<b>Country</b>	Global					
	<b>Responsible Unit</b>	KLIMA					
	<b>Sector</b>	24030:formal sector financial intermediaries					
	<b>Partner</b>	Nordic Development Fund					
		<i>DKK million</i>					
	<b>Commitment</b>	2025	2026	2027	2028	2029	Total
	<b>Projected disbursement</b>	150.0			0,5	0,5	150.0
	<b>Duration</b>	December 2025 – December 2029					
	<b>Previous grants</b>	2022-2025: 243,620,886 DKK in commitments					
	<b>Finance Act code</b>	§ 06.34.01.75					
	<b>Head of unit</b>	Anne Hougaard Jensen/Simon Wandel-Petersen					
	<b>Desk officer</b>	Jesper Hilsted Andersen					
<b>Reviewed by CFO</b>	YES: Karen Marie Hansen						
<b>Relevant SDGs</b> <i>[Maximum 1 – highlight with grey]</i>							
 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation		
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production		
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals			

## Objectives

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

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

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

## Justification for choice of partner:

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

## Summary:

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

## Budget (engagement as defined in FMI):

Partnership with Nordic Development Fund	DKK 149 million
MFA mid-term evaluation (managed by MFA)	DKK 0.5 million
MFA impact study (managed by MFA)	DKK 0.5 million
<b>Total</b>	<b>DKK 150.0 million</b>

**Ministry of Foreign Affairs of Denmark**

**DANIDA**

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

**Partnership with Nordic Development Fund (NDF)**

**PROJECT DOCUMENT**

**Final**

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and Climate

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## List of Abbreviations

AfDB	African Development Bank
AFWA	Adapation Finance Window for Africa
BEFT	Blended Finance for Energy Transition
COP	Conference of Parties
DAC	Development Assistance Committee
DFI	Direct Foreign Investment
DKK	Danish Krone
FRR	Final Results Report
GHG	Greenhouse Gas Emissions
GGA	Global Goal on Adaptation
GVCA	Greening Value Chains in Africa
IMCA	Investment Mobilization Collaboration Arrangement
LDC	Least Developed Country
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs
NAP	National Adaptation Plan
NCQG	New Collective Quantified Goal
NDC	Nationally Determined Contributions
NDF	Nordic Development Fund
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PSI	Private Sector Instruments
RM	Rio Markers
SDG	Sustainable Development Goals
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars



# 1. Introduction

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

Over the past ten years, the number of climate-related, private investments across emerging markets has grown markedly, driven by expanding international financing and rapid progress in sectors such as clean and renewable energy. Most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind causing a significant adaptation implementation gap.

There is therefore an urgent need to increase investments in climate adaptation and resilience in developing countries. Sufficient finance will enable both public and private actors to implement their priority adaptation measures and manage the risks and impacts from a changing climate, while also pursuing sustainable development goals. Closing the gap between available finance for climate adaptation and the needs and demands of developing countries, as laid out in their national adaptation plans (NAPs) requires the mobilisation of a range of different funding sources, including domestic and international finance, as well as international, public and private finance.

There is an underlying challenge for the global financial system to make finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development, thereby aligning with Article 2.1 (c) of the Paris Agreement and delivering on the Global Goal on Adaptation and the New Collective Quantified Goal (NCQG) on Climate Finance. Innovative financial instruments and mechanisms can unlock private investments and finance needed to reach the necessary scale of adaptation finance. These instruments range from credit trading programmes, debt-for-nature swaps and credits to green climate bonds and pooled investment funds.

International investors often remain cautious about committing funds to emerging and developing markets, deterred by both genuine and perceived risks. To unlock the large-scale financing required, familiar and innovative tools alike must be deployed – both to ground risk perceptions in reality and to deliver attractive risk-adjusted returns. Green climate bonds and pooled investment funds are two of the most promising innovative financial instruments for climate change adaptation, but they have not yet been taken to scale.

The two projects under the USISA programme address the need for mobilising private capital through two different innovative and frontrunner instruments, thereby contributing to the overall learning within the field of climate finance and serving as an example for others. If scaled up, these instruments have the potential to contribute significantly to the financing gap for different purposes. The partnership with NDF seeks to attract private investments in private sector climate adaptation and resilience solutions, thereby demonstrating adaptation investment cases on the African continent, for the benefit of climate

vulnerable populations. The partnership with Climate Bonds aims to mobilise private investments in green bonds, which will primarily be issued by public authorities thereby raising funds for their investments in climate adaptation and resilience solutions.

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

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

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

## 2. Context, strategic considerations, rationale and justification

### 2.1 Global challenges

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

The **investment needs for climate action** are estimated to be in the order of USD 2.3–2.5 trillion in EMDEs other than China. Of these projected investments that are necessary for delivering on the Paris targets for the EMDE's, around USD 1.6 trillion is for the clean energy transition, USD 0.25 trillion for adaptation and resilience, USD 0.25 trillion for loss and damage, USD 0.3 trillion for natural capital and sustainable agriculture, and USD 0.04 trillion for fostering a just transition.<sup>1</sup> These numbers do not necessarily reflect the financing needs that might arise due to the varying level of climate action implementation, the effects of not meeting sustainable development goals and the additional costs that

stem from climate change related losses and damages. The gap in Africa's adaptation needs and available finance is growing on an annual basis and is now estimated to more than USD 55 billion (CPI, 2025).

Public finance alone cannot deliver the size of financing needed to achieve the necessary transformation and adaptive capacity of countries. Private capital towards, in particular climate adaptation finance, has however proven to be difficult to mobilise. Between 2019-2020 private climate finance accounted for approximately 13% of climate finance in Africa whereas 87% came from public sources (CPI, 2022), and climate adaptation in Africa is almost exclusively financed through public sources (OECD, 2024). Joint investment platforms between public financial institutions and private investors are considered key to incentivise more private capital and to maximise the impact of limited public funds (CIC, 2023).

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

#### Multilateral and national policy processes

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

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

Mobilising climate finance through blended instruments and investments

The blended finance market has increased in size over the past ten years and blended finance has proven potential to mobilise capital from the private sector. Between 2021 and 2023, the total value of blended finance transaction for adaptation project accounted for 33% (Convergence, 2024). The average leverage ratio for adaptation projects was 2.12, compared to an average leverage ratio of 3.6 for mitigation projects (ibid.).

Figure 1: Blended finance market, 2014-2023



Figure 1: overall blended finance market as reported and analysed by Convergence (2024).

Whereas there has been an overall step increase of blended climate finance there are still critical gaps in particular in relation to adaptation finance and climate resilience projects. As the graph below depicts the amount of blended climate finance solely for climate adaptation is very limited, with mitigation projects receiving the largest share.

Figure 5: Aggregate annual financing volume in the climate blended finance market, 2014-2023



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

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

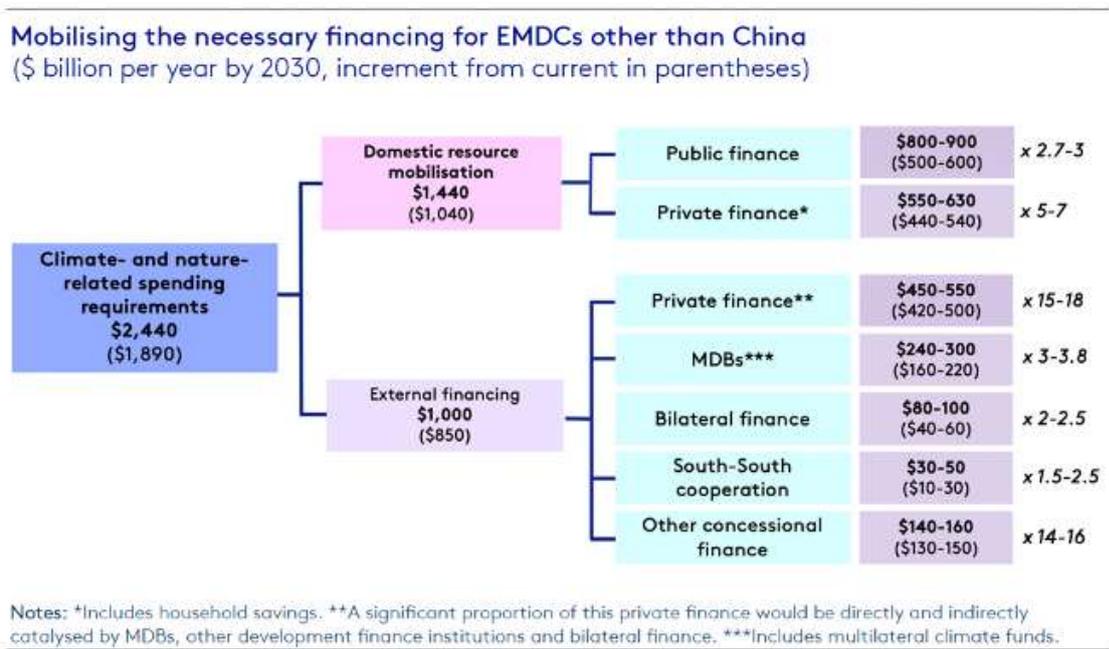
There is consequently an observably narrower offering of investment products designed to finance climate adaptation projects.

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

In 2021, financial flows towards climate adaptation and resilience amounted to USD 46 billion per year – leaving a considerable financing gap. To meet the above-mentioned financing needs, both private and public funding needs to be mobilized and ramped up at a significant scale. The illustration below published in the IHLEG report (2024) presents the scale and opportunity for financing needed divided by domestic and external financing, as well as by actor, public and private financing.

The illustration also shows that private finance is needed to bring financial flows to the levels necessary for achieving the transition to low-carbon and climate resilient societies. The USISA NDF project aims to do exactly that by mobilizing private finance through a blended financing model combining concessional capital with commercial investments into climate adaptation in Sub-Saharan Africa. That said the shortfall of adaptation finance towards Africa is a considerable challenge and mobilising private

capital in support of climate adaptation priorities in difficult geographies requires flexible instruments that help push the market towards taking greater risks and picking up the investment opportunity.



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Figure 3: Sources of finance necessary to achieve climate goals (source IHLEG, 2024)

## 2.2 The climate adaptation investment case

The benefits of adaptation investments have recently been scrutinized in a research report by WRI (2025) which has analysed and evaluated 320 adaptation investments by MDBs and international climate finance institutions into agriculture, health, water and infrastructure. The study has found that the benefits of adaptation investments fall into three categories:

1. avoided losses, such as reduced mortality and reduced material losses.
2. economic development through job creation and improved income opportunities.
3. social and environmental benefits such as, for example climate change mitigation co-benefits and improved gender equality.

The study also found that the average return of investments for climate adaptation investments is 27%, which is comparatively high. In addition, it must be considered that some of the above-mentioned benefits (1.-3.) are typically not monetized. The study is a recent example of that investments into climate adaptation projects yield a benefit that is aligned with development goals and result in tangible and measurable impact in developing countries. However, as presented at the beginning of this analysis, to date private funders have invested less in adaptation projects due to a range of factors also relating to the yet limited availability of data and research investigating the benefits of climate adaptation investments.

Blended finance serves as a critical tool for addressing the investment challenges of climate resilience and adaptation projects, which face structural barriers that pure market mechanisms cannot always overcome.

Unlike mitigation projects such as renewable energy that can generate predictable revenue streams, adaptation investments often deliver public goods whose financial benefits are difficult to monetize directly. The long-term investment horizons typical of these projects combined with uncertain returns and high upfront capital requirements, create risk-return profiles that are fundamentally less attractive to private investors operating under conventional commercial terms. Blended finance mechanisms can bridge this gap by using concessional funding to improve project economics, provide first-loss protection, or extend tenor beyond what private markets would normally accept. This approach is particularly valuable in developing economies where climate vulnerability compounds existing political and governance risks, creating a "climate investment trap" where traditional investment models based on near-term, predictable cash flows are poorly suited for adaptation investments that are essential for long-term economic stability and development.

Earmarking the project to climate adaptation finance contributes to closing a significant gap in pushing for and incentivizing private finance into adaptation projects in Sub-Saharan Africa. One of the international finance institutions that seeks to attract greater investments into climate adaptation projects in Sub-Saharan Africa is NDF.

### **2.3 Presentation of NDF**

NDF is the joint Nordic international finance institution focusing on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF was established in 1988 by Denmark, Finland, Iceland, Norway and Sweden, and the climate mandate was introduced in 2009. NDF provides financing on concessionary terms in the form of grants, loans, and equity. It engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project. At the end of 2024 NDF has accumulated a project portfolio of 144 projects with a total NDF financing of EUR 627 million building a track record of financing climate mitigation and adaptation projects. NDF's current strategy was adopted in 2020 lasting until the end of 2025. A new strategy is currently being developed – the expectation is that the current focus on climate change and development will continue.

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

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

As of 2024, NDF's portfolio totals EUR 627 million of which 63% is directed towards climate adaptation projects, in accordance with the OECD Rio Markers for Climate. NDF has a portfolio target of allocating

at least 60% of its investments to Sub-Saharan Africa. Currently, 54% of the portfolio is directed to the region.

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

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

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

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

### Organisational structure and governance

NDF's total capital amounts to EUR 1,371 million, following four capital increases since the initial injection in 1989. The latest increase, of EUR 350 million, was made in 2020. In 2024 NDF approved projects with a total volume of EUR 70 million. NDF is owned by the five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) who all have representatives at NDF's Board of Directors which makes strategic and policy decisions and approves the financing of projects, annual budgets and financial statements. NDF's office are in Helsinki, Finland where 32 staff work.



## 2.4 NDF's experience and results within climate financing

NDF's current Results Management Framework was developed and agreed upon in 2021 and has since guided decision-making. By 2024, NDF has achieved the following results:

- Supporting over 66,000 jobs – 34% for women
  - Catalysing EUR 1.3 billion additional climate finance.
  - 21,8 million people benefitted from improved adaptation, disaster risk management and climate solutions.
  - Enable access to clean energy for 32 million people, 50% women.
  - Contributed to 5.9 million tons of CO<sub>2</sub>e reduced or avoided.
- (Source: NDF Results Report 2024)

A recent performance evaluation of NDF found that NDF has a notable climate project portfolio with private sector coverage and that NDF projects have contributed significantly to climate and development results<sup>1</sup>.

### Adaptation Focus and Expertise & Geographical Alignment

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

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

### Nordic Ownership and Governance

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

### Right-Sized Institution with Agility

Compared to larger institutions within the development finance system, NDF stands to provide high levels of agility and responsiveness. While the former may provide substantial resources, their size and complexity can lead to lengthy approval processes and less flexibility in fund structure innovation. NDF

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<sup>1</sup> Performance Evaluation of the Nordic Development Fund, May 2025, Institute for Development Strategy.

combines institutional credibility with the ability to move quickly and adaptive with innovative financial instruments tailored to adaptation challenges.

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

## **2.5 Alignment with Danish policy priorities**

The partnership with NDF delivers a key element of Denmark's development strategy and Denmark's international climate commitments by addressing the gap of climate adaptation finance and by mobilising private climate finance focused on climate adaptation. In Denmark's new Strategy for Development Cooperation (June, 2025) it is highlighted that Denmark will work towards scaling up climate finance through the mobilization of private capital, developing new and innovative financing instruments; and by strengthening financing instruments with a focus on mobilising investments in Africa. The partnership further aligns with NDF's objective of supporting climate adaptation in partner countries and in particular addressing climate impacts that disadvantage the most vulnerable populations, especially women and girls.

### Gender Equality

In recognising the importance of gender equality in addressing the impacts of climate change and in advancing sustainable development, NDF has developed a comprehensive Gender Equality policy (insert link). The policy spells out NDF principles and commitments ensuring that gender equality is proactively and intentionally addressed in NDF's work and reflected in NDF supported activities and impacts. The overall objective of the policy is to ensure that gender equality implications in the context of climate change and development are systematically addressed and mainstreamed into the Fund's work and is measured and reported in the Fund's results.

### Gender Equality in Climate Services

The Systematic Observation Financing Facility (SOFF) is one example of how gender goals are pursued in NDF financing. Women and girls are amongst the hardest hit by extreme weather events and have unequal access to technology, communication and services related to early warning. This is particularly common for women, girls and other marginalised groups living in rural and isolated areas. SOFF was established to strengthen the quality and exchange of climate and weather information services in vulnerable countries by providing long-term, grant-based finance. Early warning systems are expensive and many LDCs and SIDS are not able to carry the associated costs for infrastructure investment. Only 7 weather stations reporting to international standards exist in 39 fragile and conflict-affected states. NDF supports the partnership with SOFF including the strengthening of the national climate services in Tanzania (TMA). With NDF support TMA prioritises the inclusion of women and girls in national and international coordination through capacity building activities and learning events promoting climate services amongst women and girls.  
*(modified from NDF Annual report, 2024)*

Gender equality is thus considered in all three NDF principles: complement, co-create and convene and is seen as a cross-cutting accelerator to achieve NDF goals and all SDGs. To achieve its goal, NDF puts emphasis on supporting projects that are designed and implemented considering gender equality, the gendered impacts of climate change and the role women play in addressing these impacts. All NDF-supported activities must be gender-responsive and assess the gender gaps including additional factors that further compound risks such as ethnicity, class, age or (dis)ability. NDF will measure impact using the GCF indicators for climate adaptation finance and will provide gender disaggregated targets and results on output level to measure gender specific results. In 2024, NDF co-financing contributed to supporting 66.000 jobs of which 34% for women. The factbox provides one example of

how gender equality is addressed in NDF supported projects.

## 2.5 The IMCA context and the Adaptation Finance Window for Africa

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

- 1) Blended Finance for Energy Transition (BEFT)** with contributions from Denmark and the USA (each contributing USD 15 million in equity);
- 2) 1<sup>st</sup> Adaptation Finance window** Denmark, Sweden (each contributing USD 50 million in guarantees) and USA (USD 5 million in grants); and,
- 3) Greening Value Chains in Africa (GVCA)**, Denmark, Sweden and Norway (USD 60 million in guarantees) and USA (up to USD 9 million in equity/grants).

The fourth finance window – Adaptation Finance Window for Africa (AFWA), will build on the lessons learned and experiences from the first three windows. A technical working group with representatives from interested donor countries has been established, including representation from the DMFA and

NDF. This fourth window aims at leveraging USD 50-100 million public capital for adaptation to mobilise several hundred million of USD in private finance towards ODA eligible countries. Thematically the IMCA window will focus on climate change adaptation broadly and may include perspectives of extreme heat, coastal resilience and climate migration in the context of climate change adaptation. The NDF managed grant will focus on climate adaptation broadly. The main value addition of coordinating through the IMCA platform and specifically through the AFWA is that NDF will have support for additional catalytic co-investments and co-creation capacity which gives NDF opportunity to access a broader segment of potential projects and partnerships. The IMCA AFWA specifically is aimed at increasing (1) the probability of the investments meeting their impact and private capital mobilization objectives and/or (2) increase the number of adaptation finance partnerships supported under the Nordic-led IMCA. It also increases the probability that private capital providers will come into the transactions due to expanded market sounding capacities and networking engaging the IMCA partners.

The sourcing of projects will be managed by the IMCA Secretariat beginning with a market sounding exercise that is guided by the IMCA technical working group for the window and facilitated by external consultants (Magnitude Global Finance, MGF). The market sounding and engagement process was already launched in June 2025 ahead of London Climate Week. A mid-way stocktaking in September 2025, has confirmed that there is a strong pipeline of private investors focused on adaptation and resilience in Africa (see Annex 11). The most prevalent sectors investors are interested in are i) Agriculture and related technologies; ii) Water and infrastructure; iii) Nature-based solutions; iv) Fintech/financial services. The market sounding exercise also indicates that there is a need to balance: investment risk profile (i.e., projects and companies in the most underserved African markets are the most challenging for investors), the scale of the private capital and the speed with which capital can be deployed. The below illustration summarises the findings from the market sounding exercise showing the potential types of fund designs. Please see Annex 11 for the full AFWA Market Sounding report.

### Three Archetypes Emerging from Market Engagement

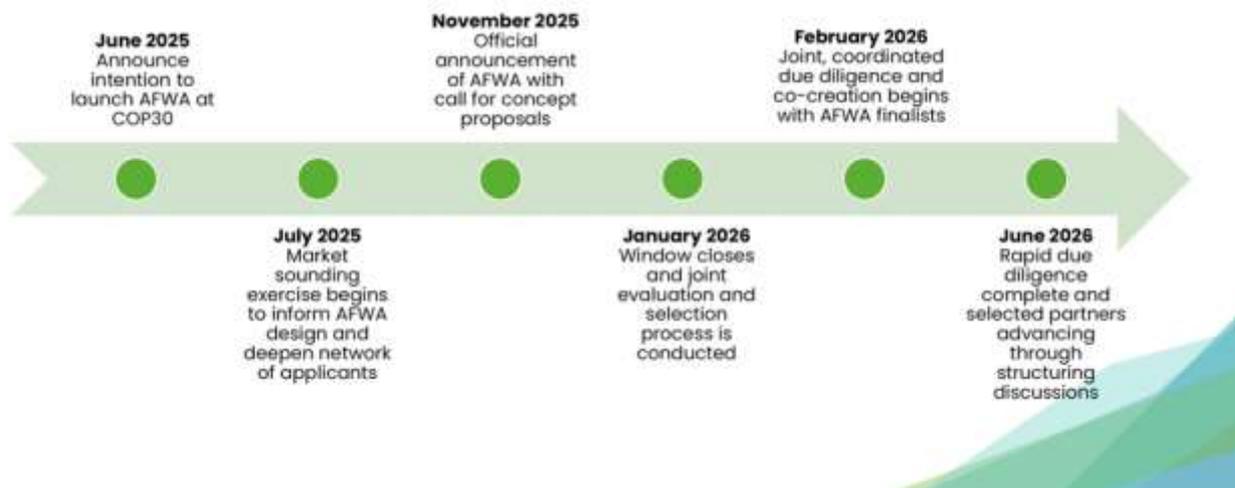
*Few funds align strongly with AFWA*

Archetype 1: Private Capital Pioneers	Archetype 2: Hybrid Approaches	Archetype 3: Africa Impact-First Funds
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Clear ability to mobilize large-scale institutional/private capital.</li> <li>• Experienced fund managers with strong fundraising track records.</li> <li>• Support from AFWA would create demonstration effects for future investors.</li> </ul> <p><b>Trade-offs</b></p> <ul style="list-style-type: none"> <li>• Often multi-region mandates to achieve risk profile needed for private investors.</li> <li>• Often oriented towards most attractive African markets and less focused on most underserved populations.</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Asset managers with strong impact objectives who are able to attract less commercially oriented private investors.</li> <li>• Vehicles structured with some level of Africa focus and resilience outcomes.</li> </ul> <p><b>Trade-offs</b></p> <ul style="list-style-type: none"> <li>• Mobilized capital is "private" but not fully commercial e.g., a corporate seeking positive PR.</li> <li>• AFWA support less likely to create demonstration effect for future private investment.</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Strong focus on impact targeting the most vulnerable in Africa - e.g., smallholders, women, underserved communities.</li> <li>• Clear adaptation and resilience outcomes in strategies and pipelines.</li> </ul> <p><b>Trade-offs</b></p> <ul style="list-style-type: none"> <li>• Reliant on DFIs and concessional finance → limited private capital tends to come from family offices, philanthropies.</li> <li>• Success is unlikely to create demonstration effects for future private investment.</li> </ul>
<b>Example:</b> Mirava	<b>Example:</b> Water Equity	<b>Example:</b> Acumen ARAF 2
Greater private capital mobilization potential		Greater development reach potential

Continuous discussions and calibrations in the IMCA technical working group will ensure and contribute to that finally selected investment managers align with the priorities and requirements outlined in the investment strategy. Specific attention will also be paid to ensuring that fund managers are aligned with the intended development impacts as described in the investment strategy.

The DMFA USISA project with NDF as fund manager is a first contribution towards the window. Catalytic capital from other IMCA partners is foreseen e.g. as grants, TA, concessional loans, guarantees or concessional equity. Currently the Government of Iceland and Norway have indicated interest as well as there are ongoing efforts to complement a climate adaptation focused financing initiative by the Swedish Development Cooperation Agency (Sida), see below. The Adaptation for Africa window will be officially launched during COP30. Shortlisting and due diligence of project concepts will be conducted during January – May 2026 and selected partner agreements, will be announced from June 2026. The selection and investment criteria for the IMCA adaptation window will be informed by the present Investment Strategy (see section 4.2). The timeline below illustrates key milestones for the IMCA AFWA.

### Key Milestones for the Adaptation Finance Window for Africa



The previous IMCA Adaptation Finance window attracted a range of proposals from potential fund managers. Including the LightSmith group who suggested the following investment areas within technologies targeted at strengthening climate resilience:

- Geospatial mapping (satellite and drone imaging, mapping and analytics)
- Precision agriculture (digital agriculture IoT/sensors, etc)
- Risk analytics (weather forecasting and analytics, insurance tech)
- Supply chain analytics (logistics IoT and software)
- Water Harvesting and Drip irrigation (efficient irrigation, water recycling and harvesting)
- Resilient Food Systems (food supply chains, resilient seeds, cold storage)

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

The selection of NDF as the fund manager for this IMCA engagement in the AFWA represents a strategic choice that maximises the potential impact of Danish development assistance. NDF's intervention logic and theory of change aligns and supports MFA priorities, including strategic priorities described in the New Africa Strategy and in the new Danida Development Strategy (June, 2025), including a greater emphasis on promoting innovative climate finance instruments geared towards mobilising private capital. NDF's concessional mandate, experience in adaptation finance, focus on Sub-Saharan Africa, Nordic values and institutional agility, make it uniquely positioned to channel capital effectively toward adaptation investments in Sub-Saharan Africa. NDF is uniquely positioned to address the financing gap for adaptation projects by using blended finance approaches to demonstrate viability and gradually attract private sector capital to this critical but underfunded climate action area.

Channelling the earmarked funds through NDF to the IMCA Adaptation Finance Window for Africa enables the MFA to monitor results and impacts and ensures greater coordination with other donors participating in the IMCA window.

### 3. Project Objective

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

### 4. Theory of change, investment strategy and key assumptions

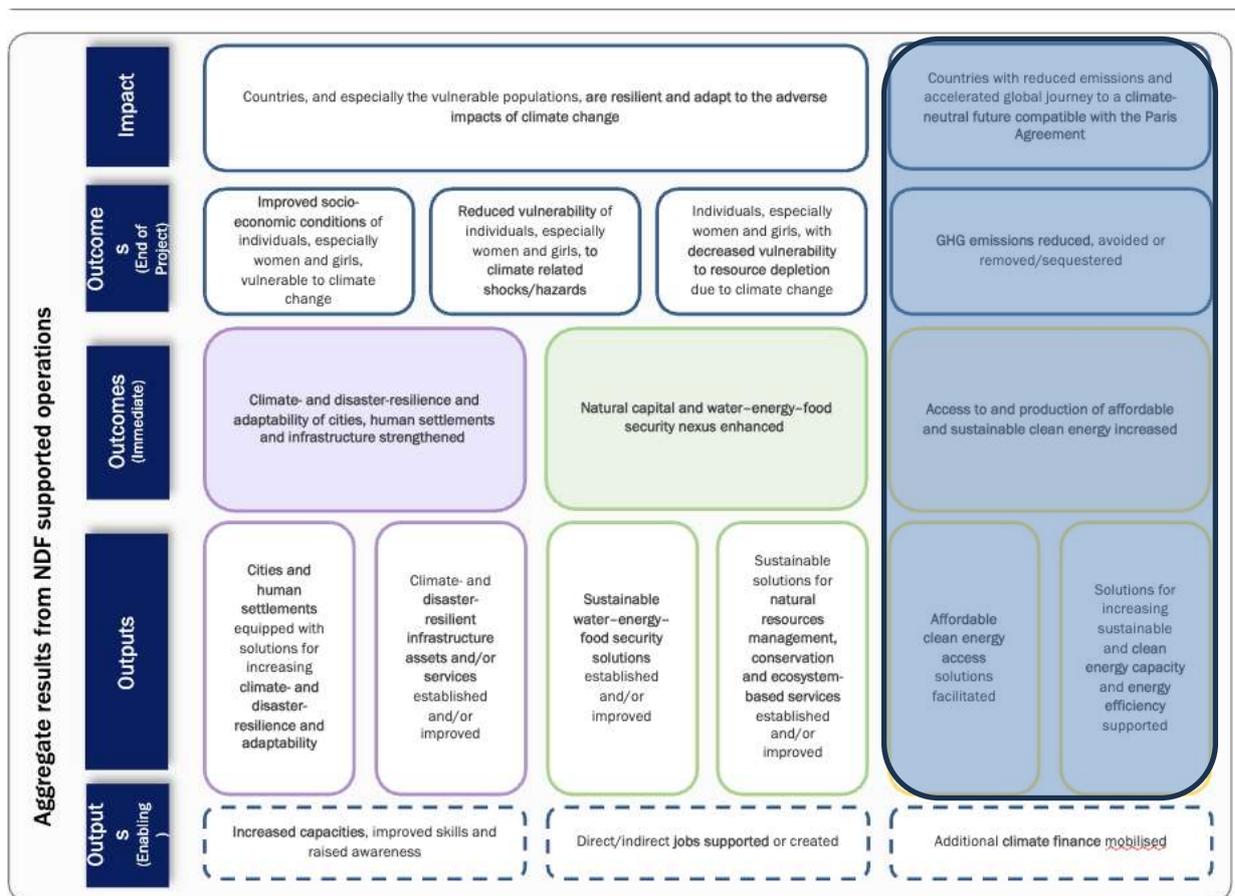
The overall theory of change of the project is:

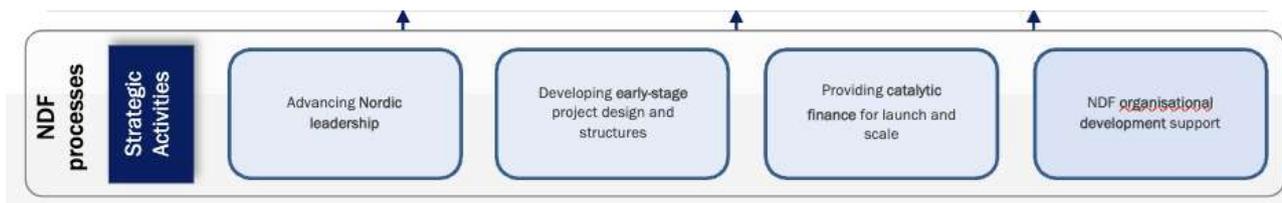
If NDF is successful in identifying fund managers and investment partners through the IMCA AFWA process, and if the IMCA AFWA and subsequent NDF due diligence process is completed successfully with selected investment partners based on the investment strategy criteria, then NDF will provide catalytic public financing for climate adaptation projects, mobilising additional private capital and support

countries and vulnerable populations in Sub-Saharan Africa in becoming more resilient and adapt to the adverse impacts of climate change. If the investment vehicles and fund managers successfully invest in identified projects then vulnerable populations, especially women and girls, in Sub-Saharan Africa will have improved socio-economic conditions reducing their vulnerability to climate change; and/or they will have reduced vulnerability to climate related shocks/ hazards; and/or they will have decreased vulnerability to resource depletion due to climate change.

The overall ToC is expressed graphically in Figure 1 below taking point of departure in NDFs organisational Theory of Change. The impact area related to mitigation focused projects has been marked “grey” to indicate that investment projects will primarily have climate adaptation as a principal objective. In the case of projects that have climate mitigation as a principal objective, it is expected that these have climate adaptation as a significant objective. For all projects there should be made efforts to leverage the co-benefits of adaptation and mitigation.

**Figure 1: NDF Theory of Change**





#### 4.1 Intervention logic and expected results

One outcome has been developed to reach the project objective.

**Outcome 1: Additional climate adaptation finance in Sub-Saharan Africa achieves long-term impacts of countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts to climate change.**

Activities under this outcome have been grouped under three interlinked outputs. **Output 1.1** Investment vehicles have been selected to execute agreements for catalytic capital. Through the IMCA AFWA working group process NDF will have identified 1-2 investment vehicles that can enter into partnership agreements with NDF with a view to deploying concessional and commercial capital in Sub-Saharan Africa towards climate adaptation and increased resilience. A key assumption for achieving this output is the successful implementation and conclusion of the IMCA AFWA window and the related investment strategy. The investment strategy and the identification process coordinated through the IMCA AFWA window is described in more detail in section 4.2 & 4.3 below.

Depending on the finally selected investment vehicles **Output 1.2** will be delivered in partnership with the finally selected investment vehicles which will enable increased capacities and skills and raised awareness of vulnerable populations, especially women and girls on adverse effects of climate change; they will support and create direct/indirect jobs and/or change the amount of climate finance mobilised. It is envisaged that a mid-term study will assess the identified investment vehicles in terms of sectoral focus, geographic coverage, target group and beneficiaries and expected mobilisation rates. The mid-term study will be commissioned and managed by the MFA in close collaboration with NDF.

**Output 1.3** will be delivered in partnership with the identified investment vehicles and the projects that will be supported through these. As the selection process determines what on-the ground projects will be financed the specific activities under this output can only be defined in broad categories describing the broader thematic focus areas of the projects. These categories are based on NDF's organisational results framework and aligned with the GCF indicators for climate adaptation finance. The following thematic areas have been identified: 1) Resilient cities and human settlements; and 2) Natural capital and the water-energy-food nexus. The mid-way results from the IMCA market sounding process indicate that there is a strong pipeline of private investors focused on adaptation and resilience in Sub-Saharan Africa in the 1) Agriculture and ag-tech sector; 2) Water and infrastructure sector; 3) Nature-based solutions, and 4) Fintech/financial services sector. All of these can fall under the thematic areas 1)-2) identified above.

The NDF and IMCA AFWA investment strategy is key for identifying and guiding the selection of climate adaptation investments in Sub-Saharan Africa. The following sections describe the investment strategy which has been specifically developed to reach the objective of this project.

## 4.2 Investment Strategy

The DKK 149 million<sup>2</sup> from the Danish Ministry of Foreign Affairs (MFA) will be deployed through NDF in the context of IMCA's AFWA window. Through the IMCA window NDF will identify one to three pooled investment vehicles to mobilise commercial capital for sustainable green investments in adaptation, primarily in Sub-Saharan Africa. This is in response to the urgent need for climate adaptation financing in developing countries that are disproportionately affected by climate change despite contributing minimally to global emissions. NDF has indicated to commit own funds to the IMCA AFWA matching the DANIDA contribution of approximately EUR 20 million subject to receiving viable project proposals and NDF Board proposal. The government of Iceland has indicated that it will contribute to the AFWA and other Nordic governments such as Norway have indicated strong interests in participating in the AFWA with own funds.

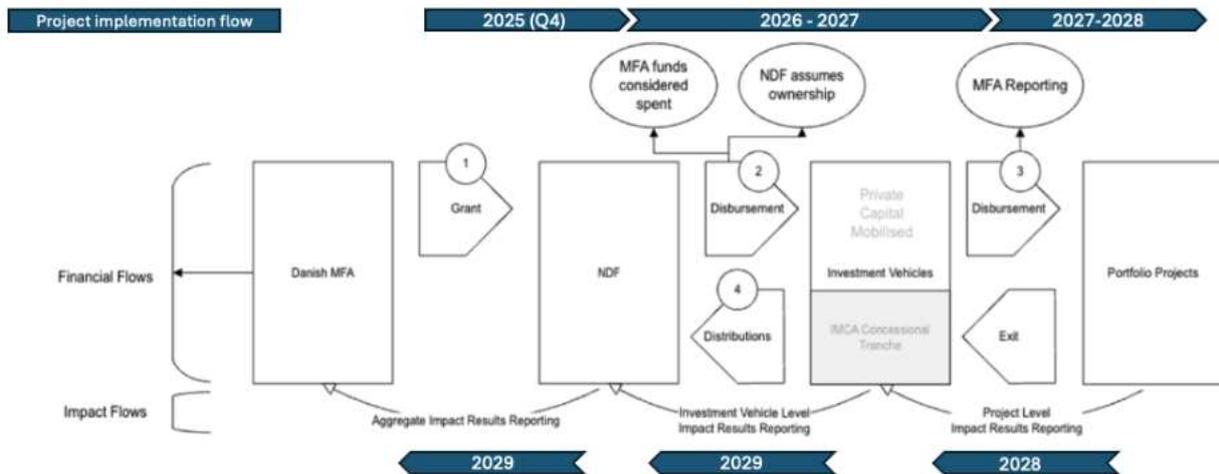
The investment strategy (Annex 10) leverages blended finance as a catalytic mechanism to unlock private sector capital that would otherwise perceive adaptation investments in Africa as too risky. By providing concessional financing through a grant to an established climate investment partner, the MFA through USISA aims to:

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

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

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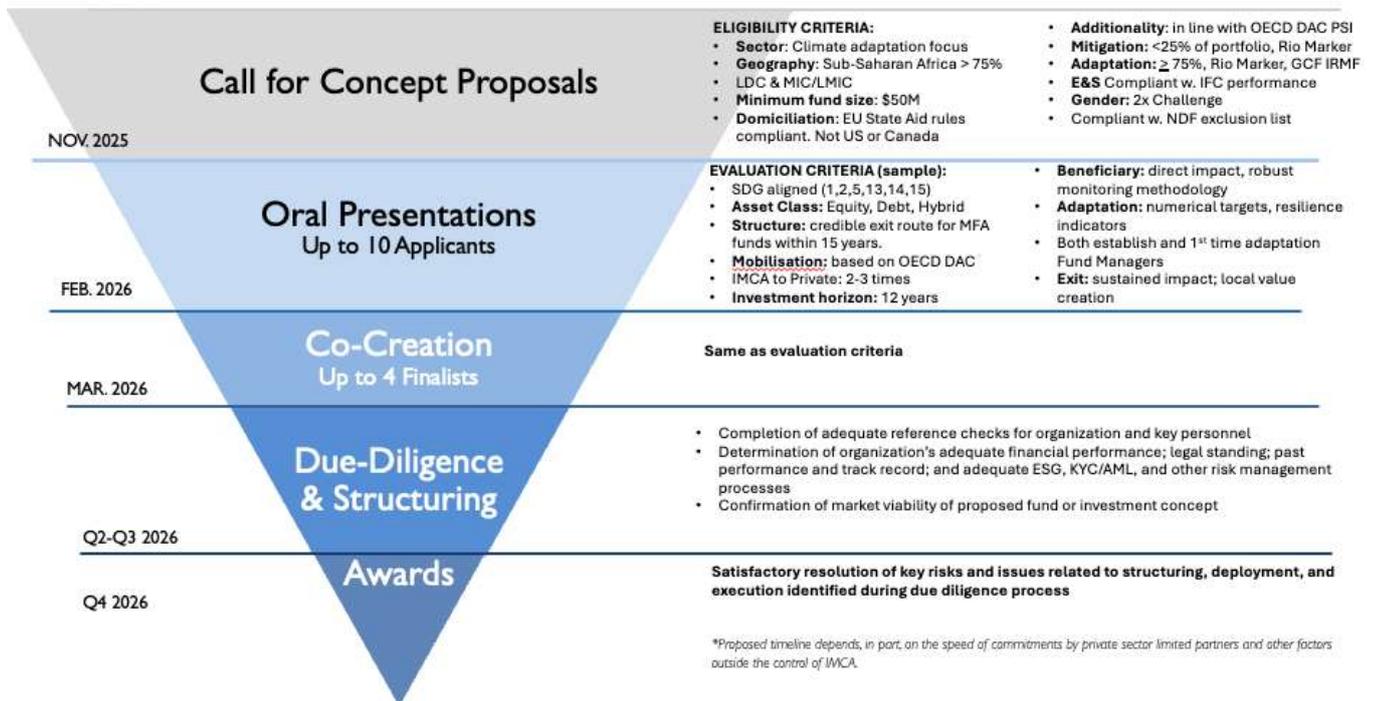
<sup>2</sup> DKK 1 million will be used for reviews and studies managed by the MFA.



### 4.3 Main trust fund characteristics and investment criteria

The number and size of individual investments will be a function of a number of factors including the range and attractiveness of proposals sourced through the IMCA adaptation for Africa window's origination process. The total investment vehicle's size, the derisking required of the proposed concessional tranche will be determined by NDF in cooperation with the AFWA working group and the selection and evaluation criteria and the subsequent negotiations with finalist fund managers. The evaluation criteria have been formulated to on the one hand, ensure the focus on climate adaptation projects in Sub-Saharan Africa that deliver the greatest development impacts, and on the other hand attract a large enough pool of investment managers to choose from. The illustration below depicts the process steps as envisioned in the AFWA based on the draft investments strategy (annex 10) and building on the experiences of the previous adaptation finance window (AFW).

## CRITERIA



The investment strategy will be transcribed into a set of selection criteria that in turn will form the basis for the sourcing process managed by the IMCA secretariat in collaboration with Magnitude Global Finance (MGF)<sup>3</sup>. These criteria are split between Eligibility Criteria that **must be met** by proposals to be considered for an investment and Evaluation Criteria that **will guide** the selection process. The final Evaluation Criteria will be informed by the IMCA AFWA process. Following the selection process at the IMCA level (Q4 2026), NDF will initiate its own due diligence and Board approval process for the selected projects.

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

As a *target at least* 75% of the funds should be demonstrably deployed towards investments defined as principally adaptation (RM2) according to the OECD Development Assistance Committee's (DAC) Rio Markers while a maximum of 25% can target investments defined as principally mitigation. If the investment projects are categorised as principally mitigation, then they should apply adaptation as a significant objective leveraging the co-benefits of mitigation projects towards adaptation objectives.

These objectives notwithstanding, the IMCA AFWA does allow for the level of flexibility required to foster innovation and attract proposals from the widest possible universe of qualified asset managers. The AFWA seeks proposals that have a clear rationale for the NDF contribution and a clear elaboration

<sup>3</sup> The market sounding and selection process of the IMCA Adaptation for Africa window has been outsourced to MGF's team of experienced consultants.

of the additionality that the catalytic finance will have. The additionality of AFWA's capital commitments should be in line with the OECD DAC PSI definition. Criteria for assessing additionality (such as investing in new sectors, geographies and/or new/underserved markets) will be discussed and agreed upon as part of the AFWA selection process.

Learnings yielded by the previous IMCA adaptation window evidenced the need to build up the provision of equity capital to the adaptation space. This is particularly relevant to the African context. It is therefore envisaged that the MFA's funds support the deployment of equity capital by the selected investment vehicles. This implies that the junior tranche of a debt structure can be structured as equity.

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

Similarly, whilst it is assessed that most proposed investment vehicles will be structured as close-ended fund structures, e.g. limited partnerships in line with the standard development finance approach to private markets, other structures can be considered if warranted by the proposed strategy. These may for example include open ended funds, special purpose vehicles and permanent capital vehicles. (See Annex 11, slide 8 for additional potential vehicle structures).

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

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

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

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

The AFWA mobilisation framework aligns with the OECD DAC Private Sector Instruments (PSI) methodology for measuring private capital mobilisation. Under this framework, mobilisation is measured across two tranches: first tranche mobilisation occurs at the fund structure level, where AFWA's

concessional capital mobilises private investment directly into the investment vehicle; second tranche mobilisation captures the subsequent co-investments mobilised when the fund deploys capital alongside other private actors at the project level.

This two-tiered approach, which IFDK employs for its SDG fund provides a comprehensive view of the catalytic impact of public funds.

For AFWA, the aggregate expected mobilisation rate is targeted at 2:1 to 3:1.

Whilst the OECD DAC PSI methodology provides a standardised cash-based framework for measuring mobilisation, AFWA recognises that in investment contexts, mobilising riskier forms of capital such as equity represents a qualitatively different and potentially higher-impact outcome than mobilising senior debt, even when the nominal cash amounts are identical. The flexibility built into AFWA's structure allows for contextualised evaluation of each proposal's mobilisation potential, accounting for both the PSI-measured cash mobilisation and the risk characteristics of the capital mobilised. This approach ensures that mobilisation targets remain ambitious whilst recognising the varying risk profiles of different financing instruments and the challenging market conditions in Sub-Saharan Africa. The AFWA investment strategy represents a strategic approach by the Danish MFA to address the significant adaptation financing gap in Africa. By using blended finance to catalyse private investment, USISA/AFWA contributes to Denmark's broader development and climate priorities while creating sustainable pathways for increased private sector engagement in adaptation finance.

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

## 5. Results framework

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

<b>Programme</b>	<b>Unlocking sustainable investments at scale towards adaptation</b>
Programme Objective	Increase resilience of Emerging Markets and Development Economies (EMDEs) to projected climate impacts
Impact Indicator	Volume of finance catalysed in EMDEs contributing to climate adaptation and resilience building in Sub-Saharan Africa.

<b>Project title</b>	<b>NDF: Blended Climate Finance for Adaptation</b>
Outcome 1	Additional climate adaptation finance in Sub-Saharan Africa achieves long-term impacts of countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts to climate change, and Countries with reduced emissions and an accelerated local journey to a climate-neutral future compatible with the Paris Agreement. Specifically, climate adaptation finance will contribute to:

			1) improved socio-economic conditions of individuals vulnerable to climate change; 2) reduced vulnerability of individuals to climate related shocks/hazards; 3) individuals with decreased vulnerability to resource depletion due to climate change;
Outcome indicator			1) % of projects with at least 80% of end beneficiaries, especially the vulnerable with improved well-being; 2) % of projects with at least 80% of end beneficiaries with reduced vulnerability to climate related shocks / hazards 3) % of projects with at least 80% of end beneficiaries, with decreased vulnerability to natural resources depletion
Baseline	2025		0
Final target	2029		The above-listed outcome indicators (at least 1-3) and targets have been confirmed and defined as part of the investments into the fund structures.

Output 1.1			Investment vehicles have been selected through the IMCA AFWA to execute agreements for catalytic capital and development impact results towards climate adaptation and resilience in Sub-Saharan Africa
Output indicator			A rigorous process in the IMCA technical working group (from market sounding to awards) has resulted in 1-3 Investment vehicles entering into agreement with NDF with a view to deploying concessional and commercial capital in Sub-Saharan Africa towards climate adaptation and increased resilience.
Baseline	2025		1) IMCA AFWA project sourcing process (from Market Sounding to Awards) initiated. 2) 0 Applications received 3) 0 assessments of expected results from identified projects
Annual target	2025		1) Market sounding has been completed and potential applicants/fund managers identified 2) Announcement of IMCA Adaptation Finance Window for Africa at COP30 3) 0 Applications received
Annual target	2026		1) 1 Market Sounding process completed 2) 20 – 30 concept applications received; 10 concepts shortlisted; 5 concepts have undergone co-creation and due diligence. 3) 0 assessments of expected results from identified projects.
Annual Target	2027		1) IMCA AFWA led process completed 2) 1-3 investment vehicles have entered into agreement w. NDF 3) 0 assessments of expected results from identified projects
Annual target	2028		1) NA 2) NA 3) 1 assessment of expected results from identified project, incl. assessment of investment scope of the funds.
Final target	2029		1) NA

			2) NA 3) 1 updated assessment of expected results from identified project, incl. assessment of investment scope of the funds.
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Output 1.2 (enabling)		Depending on finally selected investment vehicles the projects will achieve results that: Enable increased capacities and skills, jobs and additional climate finance. Impacts are achieved in the following areas:	
Output indicator		1) # of people with increased capacities, improved skills and raised awareness (disaggregated by gender) 2) # of direct/indirect jobs supported or created 3) Change in amount of climate finance mobilised	
Baseline	2025		1) 0 2) 0 3) 0
Annual target	2026		1) tbd (to be confirmed upon selection of investment vehicle during 2026/2027) 2) tbd 3) tbd
Annual target	2027		1) tbd 2) tbd 3) tbd
Annual target	2028		1) tbd 2) tbd 3) tbd
Final Target	2029		A midterm study will assess the identified investment vehicles in terms of sectoral focus, geographic coverage, target group (beneficiaries) and Rio Marker categorisation.

Output 1.3		Depending on finally selected investment vehicles the projects will achieve results under either of the following outputs:	
		<ol style="list-style-type: none"> <li>1) Resilient cities and human settlements <ol style="list-style-type: none"> <li>a. Cities and human settlements equipped with solutions for increasing climate and disaster resilience and adaptability</li> <li>b. Climate and disaster resilient infra-structure assets and/or services established and/or improved</li> </ol> </li> <li>2) Natural capital and water-energy-food nexus <ol style="list-style-type: none"> <li>a. Sustainable water-energy-food security solutions established and/or improved</li> <li>b. Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved</li> </ol> </li> </ol>	
Output indicator		1a) # of disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved 1b) # of new and existing infrastructure, assets and/or services made climate and disaster resilient	

		<p>1c) # of people benefiting from established or improved weather and climate services, adaptation and disaster risk management plans and/or early warning systems.</p> <p>1d) # of people benefiting from established or improved climate- and disaster-resilient infrastructure, services and/or physical assets.</p> <p>2a) # of policies, plans, strategies and technologies developed in support for integrated resource management addressing specific water– energy– food - related concerns and efficiency measures</p> <p>2b) # of measures on conservation, sustainable use and/or management of natural resources supported to benefit the habitat, biodiversity, and/or ecosystems</p> <p>2c) Size of area brought under climate change adaptation and disaster risk management plans</p> <p>2d) # of people benefiting from improved conservation, sustainable management and use of natural resources</p> <p>2e) size of area brought under improved conservation, sustainable management and use of natural resources.</p>	
Baseline	2025		0
Annual target	2026		1) tbd (to be confirmed upon the selection of investment vehicles during 2026/2027) 2) tbd
Annual target	2027		1) tbd 2) tbd
Annual target	2028		1) tbd 2) tbd
Final target	2029		Tbd

\*see Annex 3 for the full list of NDF indicators.

## 6. Budget

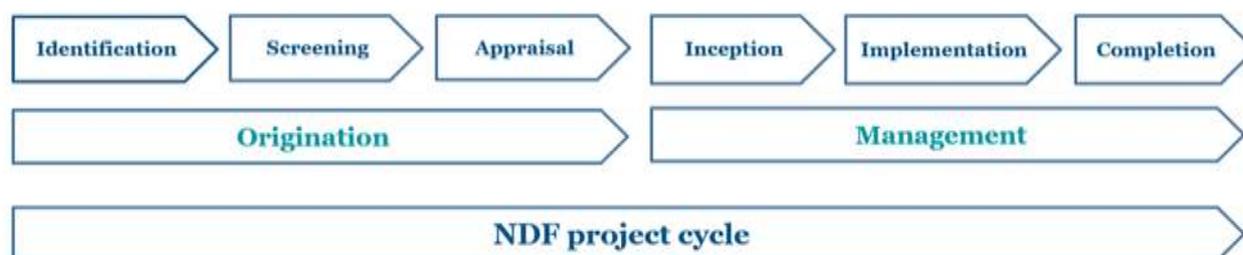
NDF is responsible for ensuring that the funds are spent in compliance with the agreement and with Danida Aid Management Guidelines (AMG) including Financial Management Guidelines: [Home and General Guidelines for Financial management](#) and with due consideration to economy, efficiency and effectiveness in achieving the results intended. The below budget is in DKK based on a EUR exchange rate of 7,45. The admin costs include audits in Year 2, 3, 4 and final audit in Year 5.

Outputs	Year 1	Year 2	Year 3	Year 4	Year 5	Total (DKK)
Selection of investment Vehicles (output 1)		146,362,594	208,635	208,635	208,635	146,988,500
Investment Vehicles proj implementation (Output 2)		342,594	208,635	208,635	208,635	968,500

Investment Vehicles proj. Reporting (Output 3)		342,549	208,635	208,635	208,635	968,500
Admin. Costs		231,481	231,481	231,481	276,181	970,623
Review and evaluation (managed by MFA, not part of grant to NDF)			500,000		500,000	1,000,000
Total (DKK)		147,055,231	633,356	633,356	678,056	150,000,000

## 7. Trust Fund Management arrangement

The management arrangement must aim to ensure adequate reporting, dialogue, learning and timely decisions about the trust fund, including possible adaptations to ensure achievement of agreed outcomes. The trust fund investments into the investment vehicles will be managed according to NDF established processes and follow NDFs procedures, policies and operational guidelines. Following the selection of the investments NDF and the selected partners will embark on a co-creation dialogue and on the NDF project cycle process (at Identification stage) as presented below.



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

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

## 8. Financial Management and reporting

The funds will be disbursed by the MFA to NDF annually in advance and will be drawn according to the requirements of section 4 of the Financial Management guidelines. Bank account information (IBAN account number, recipient bank name and address) will be cleared in advance and formal draw down

requests will be made in writing by the designated contact. Receipt of funds will be confirmed no later than 14 days after receipt. MFA funds towards selected investment vehicles will be disbursed to NDF prior to final signature of partnership agreements with the identified investment vehicle. The grant will be managed according to the standard procedures for NDF financial reporting on NDF's own resources. NDF will submit a narrative and audited financial aggregated summary report on annual basis to Danida on fund spending as per these procedures. Any interest rates accrued must be returned to the MFA upon project completion. Any interest rates accrued must be returned to the MFA upon project completion.

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

Regardless of the potential many layers of fund implementation (DMFA, NDF, Private Fund Managers) the level of overhead costs are low. Administrative overhead costs at the private Fund Managers level is expected to be at 2% and is thus also kept to a minimum.

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

## 9. Risk Management

The main risks associated with the project relate to the contextual risks for blended climate finance projects aimed at climate adaptation in Sub-Saharan African countries. There is a high economic, regulatory and political risk in the target countries and in the target market. However, these risks are inherent and intentional for this project and align with the impact objectives. As the project will be implemented through the IMCA collaboration there is potential to cover some of that risk through guarantees, technical assistance and capacity building activities for local authorities and stakeholders to further strengthen investee's ability to meet regulatory requirements and operate in sometimes difficult contexts.

Furthermore, there is some risk associated with the scope and focus of the project. Blended finance instruments and innovative climate finance solutions for climate adaptation in Sub-Saharan Africa is still in its infancy and private capital has not yet been mobilised at the scale needed. There is a risk that there will be insufficient interest from private Fund Managers and that it proves difficult to source investments that align with the investment criteria and yield the expected mobilised private capital. Previous IMCA led adaptation finance windows have resulted in considerable interest from private Fund Managers and the NDF process of project co-creation allows sufficient time and attention to inform the final design and set realistic expectations for the projects. The market sounding process will also enable NDF to evaluate and integrate findings into the final selection of the private Fund Managers.

Finally, there are some institutional risks related to the project stemming from for example the NDF due diligence process and the IMCA collaboration. However, NDF's internal processes are considered robust and ongoing monitoring will be conducted to ensure that the NDF project responds to any risks identified. The IMCA collaboration provides a meaningful platform for aligning DMFA funds with funding commitments from other like-minded donors and allows for donors to realise their ambitions for mobilisation goals. A detailed risk matrix is provided in Annex 4.

## 10. Closure

The partnership with NDF on this grant will formally conclude at the end of 2028. At this point private Fund Managers (investment vehicles) will have been selected by NDF and the MFA will be in a position to conduct an expected a priori impact study to assess the scope, geographic coverage and main thematic focus areas of the investments. Impact will from thereon be monitored as part of the general impact monitoring of NDF core contributions. However, investment returns of these projects are not likely to materialise within a short time span. Blended finance models as the one suggested in this project have a long-time horizon before final completion and final impact reporting.

## Annexes:

**Annex 1: Context Analysis**

**Annex 2: Partner Assessment**

**Annex 3: Theory of Change, Scenario and Result Framework**

**Annex 4: Risk Management**

**Annex 5: Budget Details**

**Annex 6: List of Supplementary Materials**

**Annex 7: Plan for Communication of Results**

**Annex 8: Process Action Plan**

**Annex 9: Signed table of appraisal recommendations and follow-up actions taken.**

**Annex 10: Detailed investment strategy**

**Annex 11: Market Sounding Report, IMCA**

## Annex 1: Context Analysis

The purpose of the context analysis is to provide guidance on the situation and background analysis to be carried out during the identification phase and to be updated during the formulation phase. The following context analysis has been tailored to the USISA programme, where innovative financing models are applied with a view to addressing climate adaptation related investment needs in Africa. Section 1 provides an analysis of the overall development challenges, risk and opportunities as they present themselves for blended climate finance instruments for adaptation investments in Africa. As the actual investment vehicles for the Africa Adaptation Window have not been selected yet, the subsequent sections will be rooted in the policies, frameworks and operational approaches that NDF applies to its co-funded project to ensure that human rights, gender equality, social and environmental aspects of the suggested projects are proactively considered in project design and are duly addressed, as well as inform the choice of objectives and partners in implementation.

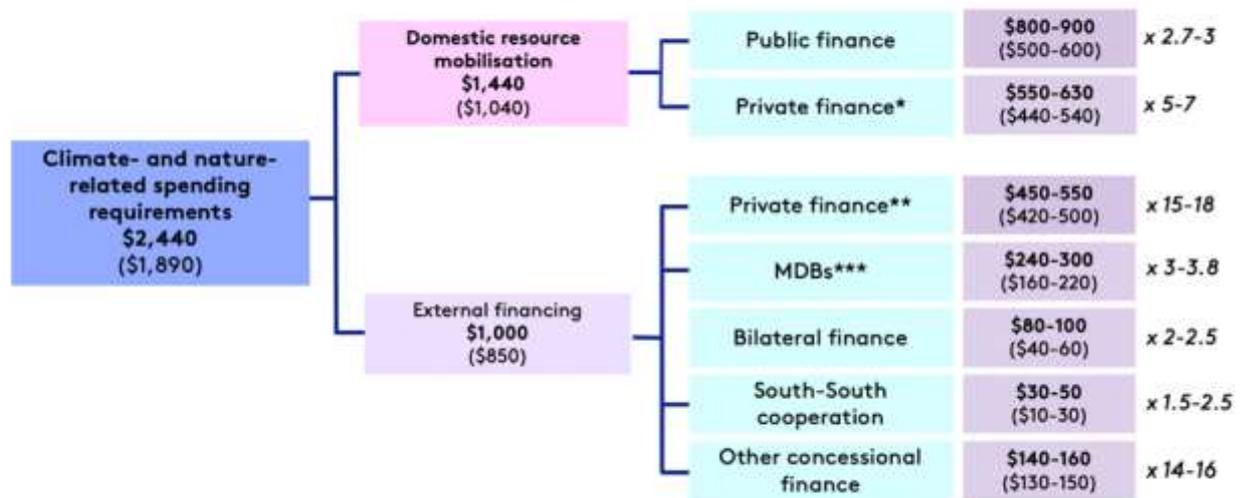
For all of the below themes it applies that additional studies and analytical work is needed. This work will be undertaken by the selected investment vehicles in partnership with NDF following the selection of concepts by the IMCA working group engaged in the Africa Adaptation window.

### 1. Overall development challenges, opportunities and risks

#### ***Summary of the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:***

- Climate finance needs to flow consistent with the pathway towards climate resilient development and financial flows should ideally support the transition to clean, low-carbon societies with increased resilience to climate change impacts. Developing countries in Sub-Saharan Africa are highly vulnerable to climate change and have significant financing needs to address climate impacts, increase resilience through climate adaptation and pursue a low carbon development path. The investments required for climate action on a global level amounts to USD 6.3-6.7 trillion per year by 2030, in EMDCs other than China USD 2.3-2.5 trillion are needed to deliver on the Paris Agreement. This amount has been projected to rise for 2035 to USD 3.1 – 3.5 trillion (IHLEG, 2024). Further estimates project that USD 0.25 trillion will be needed for adaptation and resilience building, per year in 2030 and USD 0.3 trillion for sustainable agriculture and natural capital (IHLEG, 2024).
- In 2021, financial flows towards climate adaptation and resilience amounted to USD 46 billion per year – leaving a considerable financing gap. In order to meet the above mentioned financing needs both private and public funding needs to be mobilized and ramped up at significant scale. Private financing contributed solely USD 1 billion out of the USD 46 billion. The below illustration published in the IHLEG report (2024) presents the scale and opportunity for financing needed divided by domestic and external financing, as well as by actor, public and private financing.

**Mobilising the necessary financing for EMDCs other than China**  
 (\$ billion per year by 2030, increment from current in parentheses)



Notes: \*Includes household savings. \*\*A significant proportion of this private finance would be directly and indirectly catalysed by MDBs, other development finance institutions and bilateral finance. \*\*\*Includes multilateral climate funds.

- The illustration also shows that private finance is needed to bring financial flows to the levels necessary for achieving the transition to low-carbon and climate resilient societies. The USISA programme aims to **mobilise private finance through a blended financing model combining concessional capital with commercial investments into climate adaptation in SubSaharan Africa.**
- Climate adaptation is highly contextualized and embedded in national and local climate vulnerabilities. Climate change impacts people and the natural environment differently depending on the political, social, environmental and economic context. To date almost all countries on a global level have developed a national adaptation plan, policy or strategy. These plans ideally outline investment and financing needs and priorities in sectors and areas with climate adaptation gaps and/or significant vulnerabilities. Ahead of UNFCCC COP30 countries are expected to submit updated Nationally Determined Contributions (NDCs) which – increasingly – also include adaptation actions and plans. Some countries have also developed related climate adaptation investment plans. These documents provide useful insights into the projected costs, gaps, needs and priorities in terms of climate adaptation financing and into which areas funds could usefully be deployed.
- The **benefits of adaptation investments** has recently been scrutinized in a research report by WRI (2025) which has analysed and evaluated 320 adaptation investments by MDBs and international climate finance institutions into agriculture, health, water and infrastructure. The study has found that the benefits of adaptation investments fall into three categories:
  - i) avoided losses, such as reduced mortality and reduced material losses.
  - ii) economic development through job creation and improved income opportunities;
  - iii) social and environmental benefits such as for example climate change mitigation co-benefits and improved gender equality.

- The study also found that the average return of investments for climate adaptation investments is 27%, which is comparatively high. In addition, it has to be considered that some of the above mentioned benefits (i-iii) are not monetized. The study is a recent example of that investments into climate adaptation projects yield a benefit that is aligned with development goals and result in tangible and measurable impact in developing countries. However, as presented at the beginning of this analysis, to date private investors have invested less in adaptation projects.
- Blended finance serves as a critical tool for addressing the unique investment challenges of climate resilience and adaptation projects, which face structural barriers that pure market mechanisms cannot always overcome. Unlike mitigation projects such as renewable energy that can generate predictable revenue streams, adaptation investments often deliver public goods whose financial benefits are difficult to monetize directly. The long-term investment horizons typical of these projects combined with uncertain returns and high upfront capital requirements, create risk-return profiles that are fundamentally less attractive to private investors operating under conventional commercial terms. Blended finance mechanisms can bridge this gap by using concessional funding to improve project economics, provide first-loss protection, or extend tenor beyond what private markets would normally accept. This approach is particularly valuable in developing economies where climate vulnerability compounds existing political and governance risks, creating a "climate investment trap" where traditional investment models based on near-term, predictable cash flows are poorly suited for adaptation investments that are essential for long-term economic stability and development.

***Key documentation and sources used for the analysis:***

Third report of the Independent High-Level Expert Group on Climate finance:

[https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/11/Raising-ambition-and-accelerating-delivery-of-climate-finance\\_Third-IHLEG-report.pdf](https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/11/Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf)

UNEP Adaptation Gap Report 2024 – Come Hell and High Water:

<https://wedocs.unep.org/bitstream/handle/20.500.11822/46497/AGR2024.pdf?sequence=1&isAllowed=y>

Strengthening the Investment Case for Climate Adaptation: A triple dividend approach:

<https://doi.org/10.46830/wriwp.25.00019>

State of Blended Finance 2024: Climate Edition:

<https://www.convergence.finance/resource/state-of-blended-finance-2024-climate-edition/view>

## 2. Fragility, conflict, migration and resilience

***Summary of key conclusions and implications for the programme of the analysis of the below points:***

- The investment vehicles for the funds have not been identified yet and a fragility, conflict, migration and resilience analysis could therefore not be conducted.
- Following the selection of investment vehicles and during the NDF led due diligence and screening process in the project origination process various components will be analysed including the geographic context, risk and mitigation measures.
- NDFs country focus is linked to the nexus between climate and development implying a focus on lower-income countries and countries in fragile situations (including SIDS)
- NDF defines its country focus by using the World Bank List of Fragile and Conflict-affected Situations and the OECD States of Fragility framework.

- NDF is committed to align with development co-operation of Nordic countries, including Denmark and aims to increase the share of interventions in Sub-Saharan Africa from 52% (2019) to 60% (2025). As part of this a special effort will be made to engage in least developed countries and countries in fragile situations that are particularly exposed to climate change impacts.

***Key documentation and sources used for the analysis:***

NDF Strategy 2025, <https://www.ndf.int/media/strategy/strategy-publication-final.pdf>

NDF Program Handbook (available upon request)

World Bank List of Fragile and Conflict-affected Situations, latest version available here:

<http://pubdocs.worldbank.org/en/888211594267968803/FCSList-FY21.pdf>

OECD States of Fragility framework, <http://www3.compareyourcountry.org/states-of-fragility/overview/0/>

UN Vulnerable countries

### 3. Assessment of human rights situation (HRBA) and gender<sup>1</sup>

***Summary of the key conclusions and implications for the programme of the analysis of the below points:***

- Women and girls are disproportionately affected by climate change. At the same time women and girls are key agents of change in relation to climate action. Gender equality and the promotion of women’s empowerment is considered central for ensuring the effectiveness of climate finance activities. At the 25<sup>th</sup> Conference of the Parties to the UNFCCC parties agreed on a gender action plan with the objective of advancing knowledge and understanding of gender-responsive climate action. The UNFCCC called for public and private actors to “increase the gender-responsiveness of climate finance with a view to strengthening the capacity of women”.
- In recognising the importance of gender equality in addressing the impacts of climate change and in advancing sustainable development, NDF has developed a comprehensive Gender Equality policy ([https://www.ndf.int/media/publications/gender-equality-policy\\_digitalversion.pdf](https://www.ndf.int/media/publications/gender-equality-policy_digitalversion.pdf)). The policy spells out NDF principles and commitments ensuring that gender equality is proactively and intentionally addressed in NDF’s work and reflected in NDF supported activities and impacts. The overall objective of the policy is to ensure that gender equality implications in the context of climate change and development are systematically addressed and mainstreamed into the Fund’s work and is measured and reported in the Fund’s results.
- Gender equality is thus considered in all three NDF principles: complement, co-create and convene and is seen as a cross-cutting accelerator to achieve NDF goals and all SDGs. To achieve its goal, NDF puts emphasis on supporting projects that are designed and implemented considering gender equality, the gendered impacts of climate change and the role women play in addressing these impacts. All NDF-supported activities must be gender-responsive and assess the gender gaps including additional factors that further compound risks such as ethnicity, class, age or (dis)ability. NDF will measure impact using the GCF indicators for climate adaptation finance and will provide gender disaggregated targets and results on output level to measure gender specific results. In 2024, NDF co-financing contributed to supporting 66.000 jobs of which 34% for women.

- Investments can cause negative impacts on communities especially on most vulnerable groups and there is a need to proactively ensure that human rights holders are respected and that investments hold opportunities for making positive impacts.
- NDF acts as a commercial investor but also holds a mandate to promote sustainable development and also a unique role in promoting human rights principles. NDF, as other development finance institutions also provide non-financial contributions and can support partners in meeting higher environmental and social standards as well as provide capacity building and technical assistance.

### Human Rights in NDF projects

- Climate adaptation investments in Sub Saharan African countries need to apply principles and practices that ensure net positive benefits to the environments and communities within which they operate. NDF thus aims to go beyond the “do no harm” agenda and intentionally seeks to achieve a “do good” situation for beneficiaries. Investors and financial institutions have a unique influence on upholding and scaling human rights application in business operation and promote responsible business conduct.
- NDF spells out its principles and commitments towards upholding Human Rights and environmental and social sustainability in its related policy (NDF Environmental and Social Policy). The policy aims at actively addressing any risks related to NDF supported activities and is of paramount importance to NDF.
- NDF seeks to harmonise its policies with its main strategies partners and encourages partners to go beyond business as usual. It does so by strengthening and supplementing already existing E&S studies and instruments early on in the project design and development phase. This approach supports the creation of projects that reflect a human rights based approach.
- NDF’s project screening process enables NDF to assess the way in which environmental and social risk and impacts should be addressed in the planning and implementation phase. NDF furthermore monitors compliance of projects to its Minimum Standards on a regular basis, as well as NDF undertakes environmental and social reviews.
- NDF also provides guidance and assistance to partners in developing measures to meet minimum E&S standards and helps identify opportunities for additional environmental or social benefits.

### *Key documentation and sources used for the analysis:*

Relevant references and guidance may include:

NDF Gender Equality Policy: [https://www.ndf.int/media/publications/gender-equality-policy\\_digitalversion.pdf](https://www.ndf.int/media/publications/gender-equality-policy_digitalversion.pdf)

The intersection between climate change and gender equality and sexual and reproductive health and rights (NCG for DMFA, 2024) <https://via.ritzau.dk/files/2012662/13999713/122450/da>

NDF Environmental and social policy: <https://www.ndf.int/media/ndf-environmental-and-social-policy.pdf>

Performance Evaluation of the Nordic Development Fund, May 2025, Institute for Development Strategy (available upon request)

## 4. Inclusive sustainable growth, climate change and environment

**Summary of the key conclusions and implications for the programme of the analysis of the below points:**

- The purpose of NDF is to advance Nordic leadership in addressing climate change and development challenges through financing, knowledge and partnerships.
- Together with its strategic partners NDF develops, launches and scales high-impact projects that support developing countries and the most vulnerable people affected by climate change.
- The projects that will eventually be developed will reflect this purpose.
- NDF activities provide significant support for activities linking climate change and the environment and sustainable growth and NDF will continue these efforts, including identifying activities within the nexus between climate change, oceans and biodiversity

**Key documentation and sources used for the analysis:**

NDF Strategy 2025, <https://www.ndf.int/media/strategy/strategy-publication-final.pdf>

## 5. Capacity of public sector, public financial management and corruption

**Brief summary of the key conclusions and implications for the programme of the analysis of the below points:**

NDF has a range of institutional policies and guidelines that guide its operations including:

- Anticorruption and Integrity Policy
- Integrity and Due Diligence Policy
- Anticorruption Guidelines
- Risk Management Policy

Further analysis and information gathering on anticorruption and financial management is conducted as part of the NDF due diligence and project development process.

**Key documentation and sources used for the analysis:**

NDF, Anticorruption and Integrity Policy, [https://www.ndf.int/media/files/institutional-policies-and-guidelines/ndf\\_policy\\_on\\_antikorruption\\_and\\_integrity\\_2012.pdf](https://www.ndf.int/media/files/institutional-policies-and-guidelines/ndf_policy_on_antikorruption_and_integrity_2012.pdf)

NDF, Integrity and Due Diligence Policy, <https://www.ndf.int/media/integrity-due-diligence-policy-march-2023.pdf>

NDF, Anticorruption Guidelines, [https://www.ndf.int/media/files/institutional-policies-and-guidelines/anticorruption\\_guidelines\\_2012.pdf](https://www.ndf.int/media/files/institutional-policies-and-guidelines/anticorruption_guidelines_2012.pdf)

NDF, Risk Management Policy, [https://www.ndf.int/media/risk-management-policy\\_230920.pdf](https://www.ndf.int/media/risk-management-policy_230920.pdf)

NDF, Programme Handbook (available upon request)

## 6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

**Summary of key conclusions and implications for the programme of the analysis of the below points:**

- Synergies with other Danish programmes are primarily found in the private sector programmes such as DGBP, DMDP and DIBE.
- Synergies can also be found in the Danish Sector Cooperation programmes as well as in the work conducted by Trade Councils
- Finally, synergies can be found with IFU and EIFO programmes and activities.
- The new Danish Development Policy (2025) opens for additional potential synergies with a focus on Danish leadership on providing climate finance and in particular innovative climate finance that mobilises private capital.

***Key documentation and sources used for the analysis:***

Verden i opbrud, partnerskaber i udvikling: Danmarks udviklingspolitiske strategi, [https://um.dk/-/media/websites/umdk/danish-site/danida/strategi-og-prioriteter/um\\_udviklingspolitisk-strategi-2025\\_verden-i-opbrud-partnerskaber-i-udvikling.ashx](https://um.dk/-/media/websites/umdk/danish-site/danida/strategi-og-prioriteter/um_udviklingspolitisk-strategi-2025_verden-i-opbrud-partnerskaber-i-udvikling.ashx)

## Annex 2: Partner Assessment

### **NDF history, legal status and board/trustees**

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

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

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

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

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

### **NDF staffing:**

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

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

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

### NDF MEL system

NDF reports annually project results in a Results Report. [Cover - Results Report 2024](#)

### NDF Financial capacity self-assessment:

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

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

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

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

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

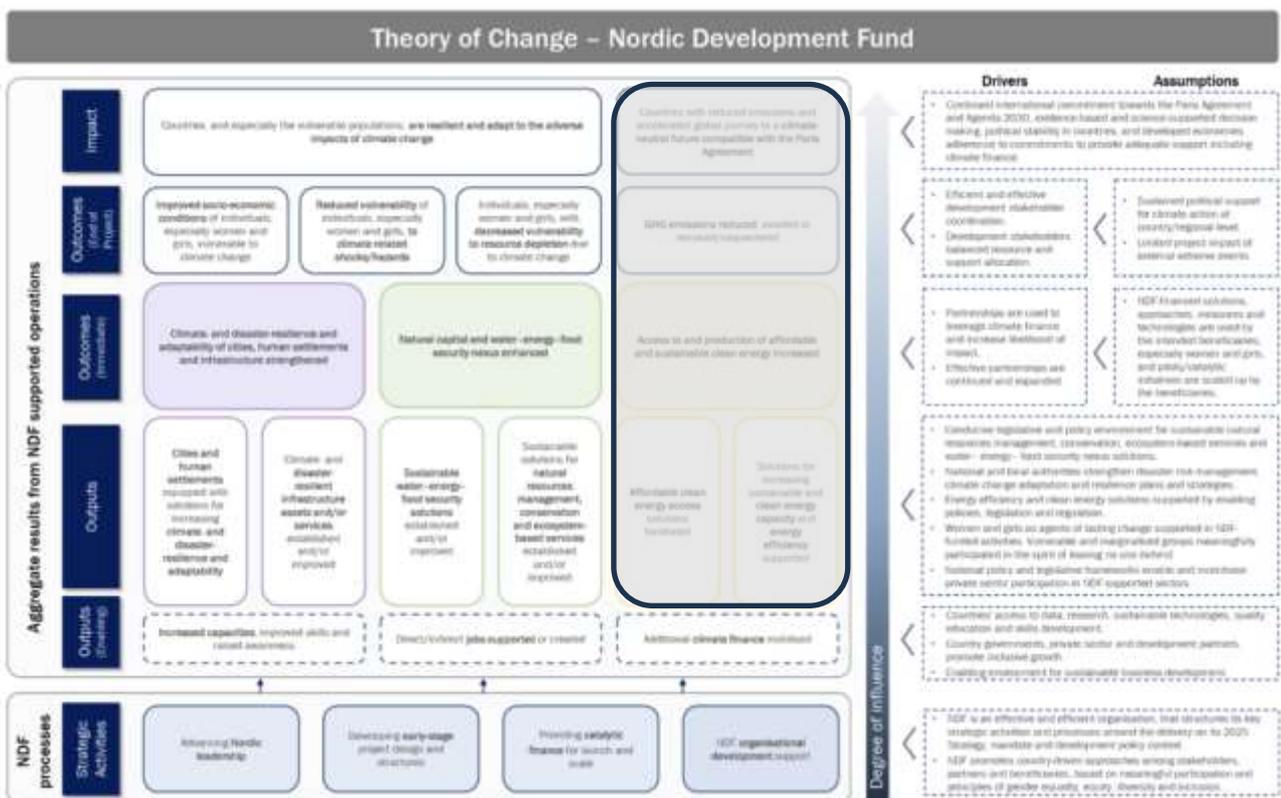
66.	<u>The organisation has procedures in place to assure transparency and accountability where funds are transferred to sub-partners.</u>	Y	
67.	<u>The organisation has mechanisms for assessing the financial capacity of sub-partners.</u>	Y	
68.	The organisation has previous experience with grants/disbursements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

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

# Annex 3 NDF Theory of Change and project Results management framework

The theory of change is that **if** NDF is successful in identifying fund managers and investment partners through the IMCA AFWA process, and **if** the IMCA AFWA and subsequent NDF due diligence process is completed successfully with selected investment partners based on the investment strategy criteria, **then** NDF will provide catalytic public financing for climate adaptation projects, mobilising additional private capital and support countries and vulnerable populations in Sub-Saharan Africa in becoming more resilient and adapt to the adverse impacts of climate change. **If** the investment vehicles and fund managers successfully invest in identified projects **then** vulnerable populations, especially women and girls, in Sub-Saharan Africa will have improved socio-economic conditions reducing their vulnerability to climate change; **and/or** they will have reduced vulnerability to climate related shocks/ hazards; **and/or** they will have decreased vulnerability to resource depletion due to climate change.

The overall Theory of Change, Results Framework and Indicators build on the NDF organizational ToC and related Results Framework (see following figures). The caveat being that the USISA project is solely focused on adaptation as the principal objective, the mitigation related impacts are thus marked as grey in the below.



## NDF Full list of indicators

## Indicators: Outputs



Level	Statement	Indicator
Enabling outputs	Increased capacities, improved skills and raised awareness	# of individuals with increased capacities, improved skills and /or raised awareness
	Direct/indirect jobs supported or created	# of direct (and indirect) full-time (equivalent) jobs supported or created
	Additional climate finance mobilized	Change in amount of climate finance mobilized
Outputs	Cities and human settlements equipped with solutions for increasing climate and disaster resilience and adaptability	# of disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved
	Climate and disaster resilient infra-structure assets and/or services established and/or improved	# of new and existing infrastructure, assets and/or services made climate and disaster resilient
	Sustainable water–energy–food security solutions established and/or improved	# of policies, plans, strategies and technologies developed in support for integrated resource management addressing specific water– energy– food -related concerns and efficiency measures
	Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved	# of measures on conservation, sustainable use and/or management of natural resources supported to benefit the habitat, biodiversity, and/or ecosystems
	Affordable clean energy access solutions facilitated	# and types of affordable, clean energy connections facilitated
	Solutions for increasing sustainable and clean energy capacity, use and energy efficiency supported	Installed renewable energy generation capacity # of public and/or private entities supported with measures to increase their capacity to promote energy efficiency and clean energy

# Indicators: Impact

IMPACTS			
OUTCOMES <i>(end of program)</i>			
OUTCOMES			
OUTPUTS			
STRATEGIC ACTIVITIES			

Level	Statement	Indicator
Impact	Countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts of climate change	 SDG indicators: 1.1.1, 2.1.2, 3.9.1, 5.4.1, 7.1.2, 10.1.1, 11.5.1, 12.a.1, 14.5.1, 15.3.1, 16.7.1
	Countries with reduced emissions and accelerated global journey to a climate-neutral future compatible with the Paris Agreement	 SDG indicators: 13.2.2, 9.4.1

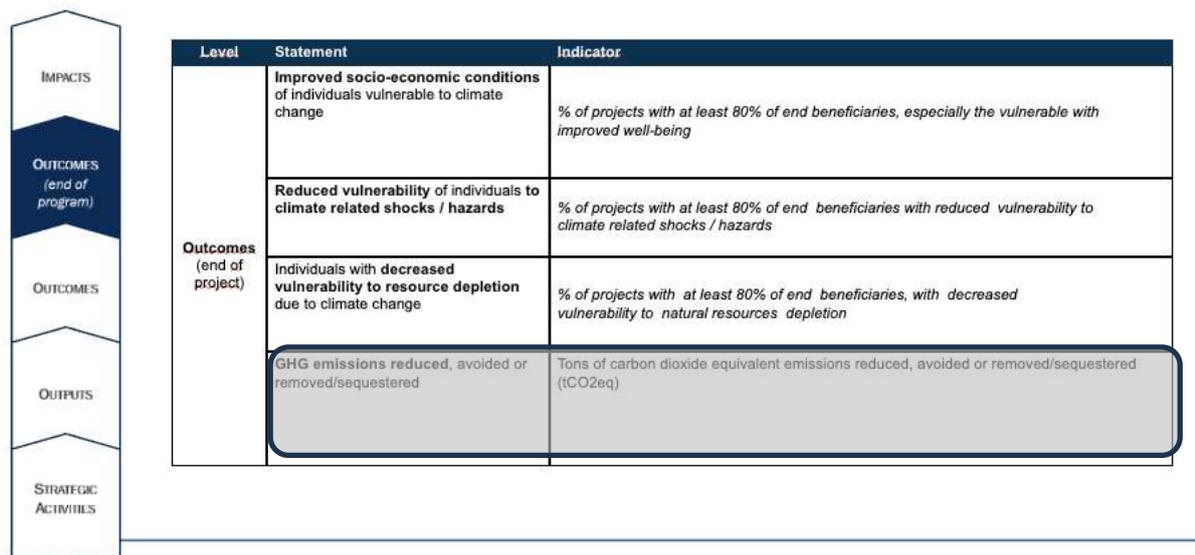
# Indicators: Outcomes

IMPACTS			
OUTCOMES <i>(end of program)</i>			
OUTCOMES			
OUTPUTS			
STRATEGIC ACTIVITIES			

Level	Statement	Indicator
Outcomes	Climate and disaster resilience and adaptability of cities, human settlements and infrastructure strengthened	# of people benefiting from established or improved weather and climate services, adaptation, and disaster risk management (DRM) plans and/or early warning systems (EWS).
		# of people benefiting from established or improved climate- and disaster-resilient infrastructure, services and/or physical assets
		Size of area brought under climate change adaptation and disaster risk management (DRM) plans
	Natural capital and water–energy–food security enhanced	# of people benefiting from improved conservation, sustainable management and use of natural resources
		Size of area brought under improved conservation, sustainable management and use of natural resources
Access to and production of affordable and sustainable clean energy increased	# of people with improved access to clean energy	
		Annual energy generated/saved by installed clean energy capacity

## Indicators: Outcomes (end of project)



## RESULTS FRAMEWORK

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

<b>Programme</b>	<b>Unlocking sustainable investments at scale towards adaptation</b>
Programme Objective	Increase resilience of Emerging Markets and Development Economies (EMDEs) to projected climate impacts
Impact Indicator	Volume of finance catalysed in EMDEs contributing to climate adaptation and resilience building in Sub-Saharan Africa.

<b>Project title</b>	<b>NDF: Blended Climate Finance for Adaptation</b>
Outcome 1	Additional climate adaptation finance in Sub-Saharan Africa achieves long-term impacts of countries, and especially the vulnerable populations, are resilient and adapt to the adverse impacts to climate change, and Countries with reduced emissions and an accelerated local journey to a climate-neutral future compatible with the Paris Agreement. Specifically, climate adaptation finance will contribute to:  1) improved socio-economic conditions of individuals vulnerable to climate change;

			2) reduced vulnerability of individuals to climate related shocks/hazards; 3) individuals with decreased vulnerability to resource depletion due to climate change;
Outcome indicator			1) % of projects with at least 80% of end beneficiaries, especially the vulnerable with improved well-being; 2) % of projects with at least 80% of end beneficiaries with reduced vulnerability to climate related shocks / hazards 3) % of projects with at least 80% of end beneficiaries, with decreased vulnerability to natural resources depletion
Baseline	2025		0
Final target	2029		The above-listed outcome indicators (at least 1-3) and targets have been confirmed and defined as part of the investments into the fund structures.

Output 1.1			Investment vehicles have been selected through the IMCA AFWA to execute agreements for catalytic capital and development impact results towards climate adaptation and resilience in Sub-Saharan Africa
Output indicator			A rigorous process in the IMCA technical working group (from market sounding to awards) has resulted in 1-3 Investment vehicles entering into agreement with NDF with a view to deploying concessional and commercial capital in Sub-Saharan Africa towards climate adaptation and increased resilience.
Baseline	2025		1) IMCA AFWA project sourcing process (from Market Sounding to Awards) initiated. 2) 0 Applications received 3) 0 assessments of expected results from identified projects
Annual target	2025		1) Market sounding has been completed and potential applicants/fund managers identified 2) Announcement of IMCA Adaptation Finance Window for Africa at COP30 3) 0 Applications received
Annual target	2026		1) 1 Market Sounding process completed 2) 20 – 30 concept applications received; 10 concepts shortlisted; 5 concepts have undergone co-creation and due diligence. 3) 0 assessments of expected results from identified projects.
Annual Target	2027		1) IMCA AFWA led process completed 2) 1-3 investment vehicles have entered into agreement w. NDF 3) 0 assessments of expected results from identified projects
Annual target	2028		1) NA 2) NA 3) 1 assessment of expected results from identified project, incl. assessment of investment scope of the funds.
Final target	2029		1) NA 2) NA 3) 1 updated assessment of expected results from identified project, incl. assessment of investment scope of the funds.

Output 1.2 (enabling)		Depending on finally selected investment vehicles the projects will achieve results that: Enable increased capacities and skills, jobs and additional climate finance. Impacts are achieved in the following areas:	
Output indicator		1) # of people with increased capacities, improved skills and raised awareness (disaggregated by gender) 2) # of direct/indirect jobs supported or created 3) Change in amount of climate finance mobilised	
Baseline	2025		1) 0 2) 0 3) 0
Annual target	2026		1) tbd (to be confirmed upon selection of investment vehicle) 2) tbd 3) tbd
Annual target	2027		1) tbd 2) tbd 3) tbd
Annual target	2028		1) tbd 2) tbd 3) tbd
Final Target	2029		A midterm study will assess the identified investment vehicles in terms of sectoral focus, geographic coverage, target group (beneficiaries) and Rio Marker categorisation.

Output 1.3		Depending on finally selected investment vehicles the projects will achieve results under either of the following outputs:  1) Resilient cities and human settlements <ul style="list-style-type: none"> <li>a. Cities and human settlements equipped with solutions for increasing climate and disaster resilience and adaptability</li> <li>b. Climate and disaster resilient infra-structure assets and/or services established and/or improved</li> </ul> 2) Natural capital and water-energy-food nexus <ul style="list-style-type: none"> <li>a. Sustainable water-energy-food security solutions established and/or improved</li> <li>b. Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved</li> </ul>	
Output indicator		1a) # of disaster risk management, adaptation strategies, plans and/or weather and climate and/or early warning system/services established or improved 1b) # of new and existing infrastructure, assets and/or services made climate and disaster resilient 1c) # of people benefiting from established or improved weather and climate services, adaptation and disaster risk management plans and/or early warning systems. 1d) # of people benefiting from established or improved climate- and disaster-resilient infrastructure, services and/or physical assets.	

		<p>2a) # of policies, plans, strategies and technologies developed in support for integrated resource management addressing specific water– energy– food - related concerns and efficiency measures</p> <p>2b) # of measures on conservation, sustainable use and/or management of natural resources supported to benefit the habitat, biodiversity, and/or ecosystems</p> <p>2c) Size of area brought under climate change adaptation and disaster risk management plans</p> <p>2d) # of people benefiting from improved conservation, sustainable management and use of natural resources</p> <p>2e) size of area brought under improved conservation, sustainable management and use of natural resources.</p>
Baseline	2025	0
Annual target	2026	1) tbd (to be confirmed upon the selection of investment vehicles) 2) tbd
Annual target	2027	1) tbd 2) tbd
Annual target	2028	1) tbd 2) tbd
Final target	2029	Tbd

## Annex 4: Risk Management

<b>Contextual risks</b>					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Economic risks in target countries	High	Medium	Seek to identify diversified strategies that incorporates appropriate risk diversification and exposure limits. Potential guarantees from IMCA members have potential to cover financial, commercial and political risks.	Medium	Certain level of risk should be expected considering the target markets for the project; however, this is an intentional and considered risk that aligns with the project's impact-objectives
Regulatory risks in target countries	Medium	Medium	Opt for diversified strategies and consider incorporating Technical Assistance support including e.g. capacity building for investees to meet regulatory requirements, with outreach and stakeholder engagement involving relevant local authorities.	Medium	Certain level of risk should be expected considering the target markets for the project; however, this is an intentional and considered risk that aligns with the project's impact-objectives
Political risk in target countries	Medium	Medium	Seek to identify diversified strategies that incorporate appropriate risk diversification and exposure limits. Potential guarantees from IMCA members have potential to cover financial, commercial and political risk.	Medium	Certain level of risk should be expected considering the target markets for the project; however, this is an intentional and considered risk that aligns with the project's impact-objectives
<b>Programmatic risks (High, Medium, Low)</b>					
Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Insufficient interest from private Fund Managers	Low	High	Prioritize outreach work and communication efforts through e.g. IMCA led market sounding exercise to	Low	Previous windows have demonstrated strong market

			align interests, expectations and incentives.		interest, while also highlighting the importance of allowing sufficient time for co-creation to align perspectives and interests.
Challenges in sourcing investments that fit the investment criteria.	Medium	High	Evaluate and integrate necessary findings from IMCA led market sounding. Factor in sufficient time for cocreation and structuring work as strategies to strengthen potential pipeline.	Medium	It should be acknowledged that the criteria of the investment strategy are challenging, but they can also be considered necessary, as the IMCA initiative aims to drive tangible change and market development.
Difficulty identifying investments that achieve the targeted mobilization rate.	Medium	High	Evaluate and integrate necessary findings from IMCA led market sounding. Factor in sufficient time for cocreation and structuring work as strategies to strengthen potential pipeline.	Medium	Mobilization of capital is a core objective of the project, and the market sounding will offer valuable insights into the current market potential, helping to inform the final design and set realistic expectations.
IMCA Africa Adaptation Window process fails to identify suitable fund managers.	Low	High	Factor in sufficient time for cocreation and to strengthen or capacitate fund managers in relevant areas to align perspectives and interests. NDF's investment process includes strong elements of cocreation and capacity building of partners to strengthen core sustainability and impact perspectives, which will be integrated in the process.	Low	Limited number of fund managers with long track record in adaptation finance in Africa, and relatively many first-time fund managers in the space.
<b>Institutional risks (High, Medium, Low)</b>					

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Magnitude Global Finance (consultant team tasked with facilitating the IMCA window call process) fails to execute Call for proposal, on behalf of IMCA, as efficiently as expected. (The risk is based on the assumption that the Climate Works' grant, funding the call process, is approved and disbursed, otherwise this constitutes a risk itself)	Low	High	Close coordination and alignment with involved IMCA members throughout process.	Low	Relying on Magnitude Global Finance as the core implementing partner, is naturally subject to certain risk. Nonetheless, their successful management of previous windows provides reassurance regarding their capacity and ability to deliver against set objectives and timelines.
NDF Due Diligence process does not capture key risks	Low	Medium	NDF's current risk assessment is considered robust. Ongoing monitoring to ensure continued alignment with DK MFA's frameworks.	Low	NDF is a key partner in this context and, as such, is naturally exposed to a certain level of risk. However, the organisation has robust processes and systems in place and a track record in conducting risk assessments as part of their due diligence process
NDF resourcing challenges, including staffing, relevant expertise, or institutional like-mindedness	Low	High	NDF's current capacity positions it well to deliver on the assignment. Monitoring of potential future changes or developments that may impact the	Low	The selection of NDF as a key partner is largely based on strong like-mindedness. NDF has robust processes and systems in place, along with a track

			organisations resources.		record in conducting similar work. This provides a solid foundation that is expected to remain stable despite minor organizational changes.
Insufficient funding commitments from other IMCA members to realize enough investments to meet impact and mobilization objectives	Low	High	The mobilization target and ambition can be reconfirmed once there is clearer visibility on funding contributions from other IMCA members. The selection of potential investment opportunities also allows certain flexibility to balance mobilization goals with other selection criteria.	Low	The size of funding commitments will inevitably influence the volumes that can be mobilized; however, the current commitments already indicate strong potential for meaningful resource mobilization

## Annex 5: Budget Details

The budget is based on an exchange rate of 7,45.

	Unit	Unit Cost	Quantity	Budget (DKK)
<b>Total Output 1-3</b>				<b>148.029.377</b>
<b>Output 1.1 Selection of inv. vehicles</b>				
Investment				146.020.000
Staff time	Semi-annually	60.524	10	605.238
Travel cost	Annually	12.911	5	64.554
<b>Total direct cost output 1</b>				<b>146.689.792</b>
Administrative costs				298.708
<b>Total budget output 1</b>				<b>146.988.500</b>
<b>Output 1.2 Inv. vehicles proj. impl.</b>				
Staff time	Semi-annually	60.524	10	605.238
Travel cost	Annually	12.911	5	64.554
<b>Total direct cost output 2</b>				<b>669.792</b>
Administrative costs				298.708
<b>Total budget output 2</b>				<b>968.500</b>
<b>Output 1.3 Inv.vehicles proj.reporting</b>				
Staff time	Semi-annually	60.524	10	605.238
Travel cost	Annually	12.911	5	64.554

<b>Total direct cost output 3</b>				<b>669.792</b>
administrative costs				298.708
<b>Total budget output 3</b>				<b>968.500</b>
<b>Contingency</b>				
Contingency (max 10% of total direct cost excluding contingency)				-
<b>Total direct cost</b>				<b>148.029.377</b>
<b>Administrative costs</b>				
Administrative costs (0.65% of grant)				896.123
Audit	item	74.500	1	74.500
<b>Total administrative costs (0.6% of investment budget)</b>				<b>970.623</b>
<b>Total budget</b>				<b>149.000.000</b>

## Annex 6: List of Supplementary Materials

NDF Program Handbook, available upon request

[Communications Approach](#)

[Gender Equality Policy](#)

[General Procurement Guidelines for Projects](#)

[Environmental and Social Policy](#)

[Environmental and Social Guidelines](#)

[Results Management Framework \(RMF\) Policy](#)

[IFI Framework for a Harmonised Approach to Greenhouse Gas Accounting](#)

[NDF Results Report 2024](#)

## Annex 7: Plan for Communication of Results

NDF has an approved Communications approach 2023-2025 which will guide the overall communication of results approach ([https://www.ndf.int/media/ndf-communications\\_approach.pdf](https://www.ndf.int/media/ndf-communications_approach.pdf)). The below is a short summary of the communications approach.

NDF's communication builds on three interlinked but distinct strands: external communications, internal communications and crisis communications. The communication plan for the USISA will primarily focus on external communications targeted to external audiences. This also involves direct engagements and cooperation with stakeholders as well as providing messages to larger audiences. The implementation of NDF's communication is facilitated by an annual communication plan that works towards achieving the following three objectives:

1. Complement: Highlight NDF's relevance and added value in addressing climate change and development challenges
2. Co-create: Profile NDF as a reliable, active and agile partner, bringing together Nordic priorities and the needs to countries where we work.
3. Convene: Contribute to creating and fostering strategic partnerships through joint communication and outreach activities.

The target audiences for NDF's communication activities fall within four segments:

1. Nordic decision-makers
2. Strategic partners
3. Informed general public
4. NDF staff

Through communication NDF will draw attention to the impact of adaptation financing, as well as mitigation efforts when relevant. It will highlight the challenges and solutions in Sub-Saharan Africa and provide a development angle in climate finance as a concessional financier. In all communication work NDF highlights Nordic priorities such as gender equality, transparency, non-discrimination and inclusiveness and seeks to communicate the human angle through storytelling and visual content. The aim is to show the connection between climate finance and benefits to people in the implementing countries.

NDF uses various channels to distribute its communication material. This includes the NDF website, social media communication on LinkedIn, Facebook and X, regular updates on NDF's main activities through its newsletter and the exchange of information and building partnerships at NDF events focused on climate financing. Events will also be an opportunity to highlight Nordic priorities such as gender equality, transparency, non-discrimination and inclusiveness. NDF furthermore communicates its results through Nordic media coverage and through its two annual publications: the Annual Financial Report and the Results Report.

There will also be opportunity to communicate the results of the project through the IMCA collaboration on the Africa Adaptation Finance window which will be officially announced at UNFCCC COP 30.

## Annex 8: Process Action Plan

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

## Annex 10: Investment strategy - Eligibility and evaluation criteria

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

	Adaptation	Rio Marker	<ul style="list-style-type: none"> <li>- ≥75% of portfolio in adaptation as defined as principally adaptation by Rio markers.</li> <li>- Refer to GCF IRMF Annex 2</li> </ul>
6. Governance	Environmental & Social	Safeguard Compliance	<ul style="list-style-type: none"> <li>- Aligned with the latest published version of the IFC Performance Standards (generally no category A projects)</li> </ul>
	Gender	2x Challenge	<ul style="list-style-type: none"> <li>- Either Fund strategy already 2x qualified, or minimum Gender indicators aligned with 2x Challenge.</li> </ul>
	Prohibited Investments	Automatic Disqualifiers	<ul style="list-style-type: none"> <li>- Alignment with NDF exclusion list (Annex 1: <a href="#">NDF Social and Environmental Policy</a>)</li> </ul>

EVALUATION CRITERIA			
Category	Subcategory	Specific Criteria	USISA
<b>1. Sectoral &amp; Thematic</b>	Primary Targets	SDG Alignment	<ul style="list-style-type: none"> <li>- Priority</li> <li>- SDG 1: No Poverty</li> <li>- SDG 2: Zero Hunger</li> <li>- SDG 5: Gender Equality</li> <li>- SDG 13: Climate Action</li> <li>- SDG 14: Life Below Water</li> <li>- SDG 15: Life on Land</li> </ul>
<b>2. Investment Vehicle Parameters</b>		Asset Class	<ul style="list-style-type: none"> <li>- Equity</li> <li>- Debt</li> <li>- Hybrid</li> </ul>
		Structure	<ul style="list-style-type: none"> <li>- No prescribed legal or capital structure, must be coherent with strategy</li> <li>- Must present a credible exit route for MFA funds inside 15 years.</li> </ul>
<b>3. Mobilisation Expectations</b>	Mobilisation ratio	Measurement Methodology	<ul style="list-style-type: none"> <li>- Private capital mobilised should be reported according to the OECD DAC methodologies</li> <li>- The OECD DAC mobilisation methodologies distinguish capital mobilised from other DFIs and from private investors by classifying co-financiers by institutional type and reporting</li> </ul>

			only private finance under “mobilised private finance,” while DFI contributions are recorded separately
		Private to IMCA	- IMCA targets a private capital mobilised of 2 to 3 times the capital committed by all its partners. This will take into account the OECD DAC income bracket classification of target geographies.
<b>4. Return Expectations</b>	Performance Metrics	Targeted Gross IRR	- No minimum return requirements.
		Net IRR After Fees	- No minimum return requirements.
		Investment Horizon	- Target 12 years for closed end funds, flexibility according to specific strategy
<b>5. Impact Metrics</b>	Beneficiary Reach	Direct Impact	- The fund manager must present a credible strategy associated with a robust monitoring methodology.
	Climate Adaptation	Improvement Target	- The fund manager should have numerical targets for the relevant resilience indicators.
	Emission Reductions	Annual Equivalent CO2	- The fund manager must present a credible strategy associated with a robust monitoring methodology.
<b>7. Risk</b>			
	Economic & Political	Risk Assessment	- Substantial
	Financial	Risk Profile	- Moderate
<b>8. Experience</b>	Stages completed	Checklist	- Both established and First-time adaptation fund managers are welcome to apply, but management teams must demonstrate relevant investment track record to ensure sufficient private capital mobilisation; close attention will be paid to the experience of key investment personnel given IMCA's focus on attracting commercial investors.

<b>9. Exit Strategy</b>	Exit Criteria	Considerations	<ul style="list-style-type: none"> <li>- Sustained climate adaptation impact</li> <li>- Continued local value creation</li> </ul>
<b>10. Strategic Pathways</b>	Catalytic Financing	Investment Approach	<ul style="list-style-type: none"> <li>- Early-Stage Interventions</li> <li>- Innovative Project Support</li> <li>- Potential for Demonstration effects</li> <li>- Potential to Mobilize additional climate finance, particularly private capital.</li> </ul>

|

## ANNEX 11: Market Sounding Report, IMCA

Provided separately.

## Unlocking Sustainable Investments at Scale towards Adaptation (USISA) Partnership with Climate Bonds Initiative

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

This will be done by:

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

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

**Major risks and challenges:**

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

<b>File No.</b>	25/11008					
<b>Country</b>	Global					
<b>Responsible Unit</b>	KLIMA					
<b>Sector</b>	24030:formal sector financial intermediaries					
<b>Partner</b>	Climate Bonds International					
	<i>DKK million</i>					
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Total</b>
<b>Commitment</b>	50.0					50.0
<b>Projected disbursement</b>	25.0	25.0				50.0
<b>Duration</b>	December 2025 – December 2028					
<b>Previous grants</b>	N.A.					
<b>Finance Act code</b>	§06.34.01.75					
<b>Head of unit</b>	Anne Hougaard Jensen					
<b>Desk officer</b>	Jesper Hilsted Andersen					
<b>Reviewed by CFO</b>	YES: Karen Marie Hansen					
<b>Relevant SDGs</b>	<i>[Maximum 1 – highlight with grey]</i>					
						
						
						

### Objectives

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

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

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

### Justification for choice of partner:

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

### Summary:

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

### Budget (engagement as defined in FMI):

Partnership with Climate Bonds International	DKK 49.5 million
Inception and mid-term review MFA (managed by MFA)	DKK 0.5 million
<b>Total</b>	<b>DKK 50.0 million</b>

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

**Partnership with Climate Bonds Initiative**

**PROJECT DOCUMENT**

**Final**

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## List of Abbreviations

AfDB	African Development Bank
A&R	Adaptation and resilience
BIS	Bank of International Settlements
CBRT	Climate Bonds' Resilience Taxonomy
CEO	Chief Executive Officer
DFI	Development Finance Institution
DNSH	Do no significant harm
EMDE	Emerging markets and development economies
FJD	Fijian dollar
GBP	British Pounds
GCF	Green Climate Fund
GEF	Global Environment Facility
GGA	Global Goal on Adaptation
GSS+	Green, social, and sustainability-linked bonds
MEL	Monitoring, evaluation and learning
MFA	Ministry of Foreign Affairs of Denmark
NABARD	National Bank for Agriculture and Rural Development, India
NDC	Nationally Determined Contribution
SoTM	State of the Market
TA	Technical Assistance
UoP	Use of Proceeds
USD	United States Dollar
USISA	Unlocking Sustainable Investments at Scale towards Adaptation

## 1. Introduction

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

Over the past ten years, the number of climate-related, private investments across emerging markets has grown markedly, driven by expanding international financing and rapid progress in sectors such as clean and renewable energy. Most funding has been directed towards climate mitigation, and private capital mobilisation for climate adaptation is lacking behind causing a significant adaptation implementation gap.

There is therefore an urgent need to increase investments in climate adaptation and resilience in developing countries. Sufficient finance will enable both public and private actors to implement their priority adaptation measures and manage the risks and impacts from a changing climate, while also pursuing sustainable development goals. Closing the gap between available finance for climate adaptation and the needs and demands of developing countries, as laid out in their national adaptation plans (NAPs) requires the mobilisation of a range of different funding sources, including domestic and international finance, as well as international, public and private finance.

There is an underlying challenge for the global financial system to make finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development, thereby aligning with Article 2.1 (c) of the Paris Agreement and delivering on the Global Goal on Adaptation and the New Collective Quantified Goal (NCQG) on Climate Finance. Innovative financial instruments and mechanisms can unlock private investments and finance needed to reach the necessary scale of adaptation finance. These instruments range from credit trading programmes, debt-for-nature swaps and credits to green climate bonds and pooled investment funds.

International investors often remain cautious about committing funds to emerging and developing markets, deterred by both genuine and perceived risks. To unlock the large-scale financing required, familiar and innovative tools alike must be deployed – both to ground risk perceptions in reality and to deliver attractive risk-adjusted returns. Green climate bonds and pooled investment funds are two of the most promising innovative financial instruments for climate change adaptation, but they have not yet been taken to scale.

The two projects under the USISA programme address the need for mobilising private capital through two different innovative and frontrunner instruments, thereby contributing to the overall learning within the field of climate finance and serving as an example for others. If scaled up, these instruments have the potential to contribute significantly to the financing gap for different purposes. The partnership with NDF seeks to attract private investments in private sector climate adaptation and resilience solutions,

thereby demonstrating adaptation investment cases, primarily on the African continent. The partnership with Climate Bonds aims to mobilise private investments in green bonds, which will primarily be issued by public authorities thereby raising funds for their investments in climate adaptation and resilience solutions.

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

## 2. Context, strategic considerations, rationale and justification

### 2.1 Global challenges

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

The **investment needs** for climate action are estimated to be in the order of USD 2.3–2.5 trillion per year by 2030 in EMDEs other than China. Of these projected investments that are necessary for delivering on the Paris targets for the EMDE's, around USD 1.6 trillion is for the clean energy transition, USD 0.25 trillion for adaptation and resilience, USD 0.25 trillion for loss and damage, USD 0.3 trillion for natural capital and sustainable agriculture, and USD 0.04 trillion for fostering a just transition.<sup>1</sup> Mobilising these investments is urgent. Any shortfall in investment before 2030 will place added pressure on the years that follow, creating a steeper and potentially more costly path to climate adaptation.

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

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

On the national level, the National Adaptation Plans (NAPs) outline a given country's adaptation needs and priorities and would ideally also identify the investment and financing needs in national investment plans. Not all countries have developed NAPs or collated adaptation financing needs into a single document/investment plan. An increasing number of countries are including adaptation priorities in their nationally determined contributions (NDCs) or in other sectoral action plans and strategies. 63 multi-sector National Adaptation Plans (NAPs)<sup>2</sup> have been submitted to the UNFCCC as of 2025, whereas, approximately 75% of countries that have submitted NDCs have included adaptation actions in these. In the global climate negotiations, there is a growing focus on how to make NAPs implementable and investable in order to accelerate adaptation action at country level.

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

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

The **sustainable debt market** is dedicated to issuing debt instruments – such as bonds or loans – that finance projects with environmental and/or social benefits. The sustainable debt market has evolved into a major vehicle for channelling finance from capital markets into sustainable activities. By the second

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<sup>2</sup> [trends.napglobalnetwork.org](https://trends.napglobalnetwork.org)

quarter of 2025, nearly USD 6 trillion in issuance of green, social, sustainability, and sustainability-linked bonds was outstanding. Most of these bonds are issued by institutions in North America, Europe and China, but increasingly also in other regions. Bonds are a valuable tool for climate finance as they provide a transparent instrument that offers comfort to investors whilst often delivering a pricing benefit to the issuer. If bonds are labelled it signals their purpose, and labelling would typically be aligned to certain standards and criteria. Labelled bonds provide investors a means to finance good practices in accordance with their growing mandate to address climate change and through this, influencing the business strategy of bond issuers.

Green bonds are highly attractive to investors – not least institutional investors, such as Danish pension funds – looking to fulfil their growing green mandates. Studies reveal that some institutional investors are prepared to pay a small premium (a “greenium”) for labelled green bonds, although the size of this is disputed. It is assumed that labelled bonds can attract more capital and produce a better price for the borrower than ordinary bonds and this will be tested with this project. Detailed data on the holders of green bonds is scarce, but IFC estimates that institutional investors hold the bulk of emerging markets green bonds.<sup>3</sup> The success of labelled green bonds has inspired the creation of other labelled bonds, such as social bonds. Recent research from the Bank of International Settlements (BIS) has demonstrated that whilst the green bond market is a voluntary one, emissions in those sectors utilising green bond finance have declined.

In the early stages of the green bond market development, a focus on low-hanging fruit for climate mitigation (e.g., renewable energy) was necessary for scaling-up. Now that the green bonds market is well-established, more difficult areas, such as adaptation and resilience, are being tackled, but this component of green bonds issuance is still at a modest level. A share of 16% of deals in the global labelled green bond market include activities related to adaptation and resilience, mostly in the water and water-related sectors. From these, 79% of the issuances have come from developed markets, 15% from supranational institutions, and only 6% from emerging markets (Global Center on Adaptation, 2021). Climate Bonds’ Sovereign Bond Survey<sup>4</sup> examined the processes and safeguards for developing and issuing sovereign bonds, specifically looking at how the Use of Proceeds (UoPs) were aligned with national priorities (and planned expenditure) and the use of second party opinion (SPO) companies to provide a degree of independent assurance on the quality of the framework and

#### **Fiji: Green bond frontrunner**

Fiji was the first emerging market to issue a sovereign green bond, raising FJD 100 million (USD 50 million) to support climate change mitigation and adaptation. It was also one of the first sovereign bonds where most of the bond proceeds was allocated to build resilience in highly vulnerable areas (coastal and riverine) and sectors (agriculture, health and education infrastructure, rural housing and community driven development). The project identification process was a collaborative effort across ministries and the Reserve Bank of Fiji. With high-level political endorsement, the bond allowed Fiji to reach an untapped international investor base and encouraged domestic investors to help finance green projects through this bond.

(Global Center on Adaptation, 2021)

<sup>3</sup> Emerging Market Green Bonds. IFC-Amundi Joint Report, July 2023.

<sup>4</sup> CBI\_SOV2020\_03.indd

allocations. Apart from being linked to specific expenditures, most sovereign labelled bonds are subject to the same rules of public spending as vanilla bonds (i.e., normal government bonds) and therefore fall under a country's main public financing framework. In almost two-thirds of the cases (63%) this framework places restrictions on earmarking revenues for specific uses. The post issuance reporting recommendations for green bonds help to counter this, and boost demand in EMDEs where investors feel that the extra scrutiny required by green bond frameworks ensures tighter controls on expenditures. As the finance framework and investor scrutiny create a certain lack of fungibility, some sovereigns have expressed reluctance to come to the market as governments need to divert funds if crises arise. A balance is therefore needed in financing from different sources.

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

**Definition of resilience investments**

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

One solution to this is the use of a **green taxonomy**, a classification system that defines which economic activities are environmentally sustainable and support climate change mitigation and/or adaptation. It provides clarity for financial institutions, investors and governments ensuring that resources are channelled into activities that have a real impact on the transition to a greener and low carbon economy and helps financial actors and others determine which investments can be labelled "green". Official government, or credible independent taxonomies are valuable tools as, in the absence of formally agreed-upon definitions, market actors tend to introduce their own definitions, which results in poor accountability and higher transaction costs. The European Union's green taxonomy entered into force in 2020 and has rapidly achieved an important status in

directing the labelling of green investments for European financial institutions.

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

The green taxonomy must be localised and there is therefore a need to develop ***national green taxonomies*** that can provide guidance to the financial market. The taxonomy should be based on national policy objectives, so that it can be used to promote investments towards publicly agreed policy goals. Given the overall aim of attracting investments, countries may for example prioritise certain sectors or economic activities in the taxonomy where finance plays a key role to increase the flow of capital toward these activities. Rwanda, South Africa and Uganda have developed their first version of a green taxonomy (see box).

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

Sovereign debt can provide the investment catalyst needed to drive economic growth and climate action. However, if debt is taken on at unsustainable levels, especially with international investors (unsustainable volume, interest rate, duration), it can divert scarce resources away from other priorities including health, education, and resilience. To mitigate against this risk, the USISA project will reference the IMF Debt Sustainability Framework<sup>5</sup> and work in a middle income country, able to issue debt in a domestic currency and with an active pool of domestic investors and pension fund operators to limit over-reliance on international foreign currency debt and short term, high interest commercial lenders. The project will also work with issuers to align any sovereign debt to national climate and development priorities to ensure long term national objectives are met. In the long term, the research conducted within the USISA project and with relevant partners will provide context-specific policy recommendations to create strong sustainable debt frameworks to prevent debt distress with a specific lens on private sector lenders and building resilient societies<sup>6</sup>.

## **A&R Bond issuance**

### **Country example: Uganda**

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

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

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

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<sup>5</sup> [Sovereign Risk and Debt Sustainability Analysis for Market Access Countries](#)

<sup>6</sup> [Debt Relief for Resilience | International Institute for Sustainable Development](#)

Very few stand-alone labelled A&R bonds have been issued to date, but A&R measures are often included in the Use of Proceeds (UoPs) for other labelled (Green, social, sustainability, sustainability-linked) bonds.

Based on market research conducted by Climate Bonds, 16% of all aligned<sup>7</sup> bonds issued to date include some level of A&R measures within the UoPs. The data on the volume of finance is not available currently as the UoPs do not define how the money is allocated to different purposes. Climate Bonds has developed an interim methodology to allocate volumes for A&R-related UoP and will further refine this methodology during this project to enable accurate tracking of finance flows. The labelled bond market overall is growing rapidly, the use of the market to finance A&R activities and measures has significant potential but the lack of guidance for defining A&R is hindering growth<sup>8</sup>.

In 2023, Mexico issued a USD 5.9 billion Sovereign Sustainability Bond with A&R UoP targeting (i) Food Security; financing projects related to the price guarantee for basic food products programme. (ii) Healthcare Services; projects related to vaccination, free medical checkups, and medicines. (iii) Education; financing the public education system and physical educational infrastructure. (iv) Clean Water and Sanitation; expenditure on the national water commission for the development of infrastructure for clean and safe drinking water, sewerage, and sanitation, as well as the sustainable management of water resources. (v) Affordable and Clean Energy; projects related to sustainable use of energy and energy transition.

The bond framework references the strategy outlined by Mexico's national water commission for 2020–2025 on mitigating floods and enhancing responses to climate-related incidents. This comprehensive programme entails the advancement of methodologies and technological platforms to bolster meteorological and hydrological forecasting capabilities. It also includes the formulation of emergency plans and procedures to address water-related hazards effectively. Additionally, investments are directed towards enhancing public hydraulic infrastructure assets and undertaking the rehabilitation and conservation of dams.<sup>9</sup>

Water infrastructure is also the primary focus of the upcoming USD 344 million Tokyo Metropolitan Government (TMG) Resilience Bond<sup>10</sup> which aims to build greater resilience to flood and storm hazards as part of a wider package of resilience measures with the support of Climate Bonds and aligned with our criteria.

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<sup>7</sup> Meaning meeting the requirements of label credibility set by Climate Bonds [Climate Bonds | Insights from Climate Bonds Data](#)

<sup>8</sup> [A-guide-for-issuers-Full-report-online.pdf](#)

<sup>9</sup> [Global-State-of-the-Market-Report-2023.pdf](#)

<sup>10</sup> <https://www.environmental-finance.com/content/news/tokyo-metropolitan-government-plots-300m-resilience-bond.html>

### **Brazil Resilience Bond**

In 2024 Climate Bonds was contracted to support the development of the new Brazilian taxonomy, including a basic A&R framework aligned with the CBRT, to be launched ahead of the Belem COP in 2025. The Brazilian Treasury has recently confirmed its intention to issue a sovereign debt instrument aligned with this taxonomy in late 2025 or early 2026 and is in discussion with Climate Bonds to provide support and certification. The sectors and themes to be addressed are currently under discussion but may include agriculture. The volume of financing is yet to be announced, however Brazil debuted their USD 2 billion sovereign sustainable bond in 2023 ([World Bank 2024](#)).

## **2.2 Climate Bonds Initiative**

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

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

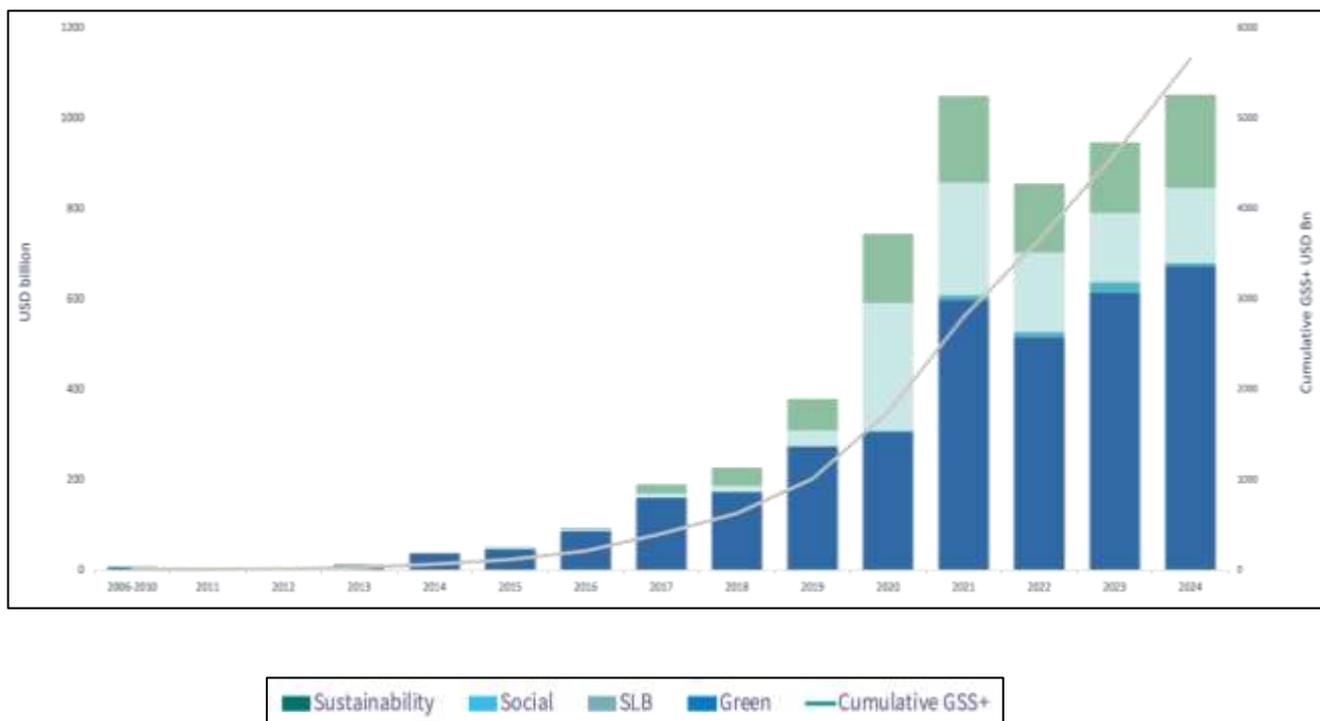
Climate finance for both mitigation and adaptation is far below the levels required to effectively tackle climate change. Global institutional investors have sufficient capital to deliver positive impact and are increasingly willing to channel funds into credible climate investments but there is a lack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

Climate Bonds has developed science-based eligibility criteria for more than 35 decarbonisation categories, including hard to abate industries, providing definitions for Paris-aligned green and transition investments. These have supported the rapid growth of labelled bonds, driving market growth to nearly USD 6 trillion in aligned issuance as of Q2 2025 (see Figure 1). These eligibility criteria and associated

frameworks have in turn been used successfully by Climate Bonds to develop more than 20 taxonomies globally, including contributing to the taxonomies for EU, Rwanda, Brazil, Senegal, and Malaysia.

Climate Bonds research from 2017 to 2024 demonstrated the existence of pricing benefits for issuers obtained by green bonds in the primary market and for investors in the secondary market. This evidence has been used extensively with issuers, investors and governments to demonstrate the financial benefits of credible labelled bonds. Further information in Annex 2, Partner Assessment.

**Figure 1: Growth in labelled bond market 2010 – 2024 (Climate Bonds)**



### 2.3 Lessons learned that have informed the intervention strategy

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

- Stand-alone projects struggle to bring impact at scale due to poor interconnectivity and lack of cross team and project learning. The work on adaptation and resilience has been designed as a strategic programme that addresses all elements of Climate Bond’s overall strategy in a holistic manner to drive impact and scale.
- Mitigation is guided by top down, global, sector-based decarbonisation pathways to maintain emissions within the global carbon budget. However, resilience needs to be locally defined within a globally understood structure as climate impacts and vulnerability are contextual.

- Analysis-based stakeholder engagement and management is a necessary, and long-term element.
- It is necessary to both emphasise risks of inaction as well as define benefits of action, a purely risk-based approach has limited value for all stakeholders.

## 2.4 Alignment with Danish policy priorities

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

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

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

There are several cross-cutting elements related to green bonds that span sectors, sub-sectors, and resilience impacts, including cultural heritage, disaster risk reduction, gender, indigenous people, technology, vulnerable groups, and water. These elements reflect climate impacts with particular or disproportionate relevance for certain stakeholders, requiring greater emphasis where needed. For example, gender perspectives may be necessary to address impacts on women and girls, or special consideration may be required for indigenous people or other vulnerable groups. For example, vulnerable groups and indigenous people are included as a climate impact in terms of increased socio-economic inequality.

The Climate Bonds framework includes a number of measures to ensure a holistic approach balancing climate adaptation and mitigation with other critical environmental and social considerations. Climate Bonds applies the concept of Do no significant harm (DNSH), which is derived from frameworks such as the EU Taxonomy Regulation and has been widely adopted across various international taxonomies. It represents a standard benchmark to ensure that investments contributing to one objective do not significantly harm any other environmental or social objectives. The CBRT also draws on other widely accepted good practices in environmental and social safeguards such as IFC Performance Standards, Equator Principles, etc. Thus, to be eligible under the Climate Bonds Resilience Taxonomy, all investments must avoid:

- undermining climate mitigation objectives by causing a significant increase in GHG emissions (e.g., high energy-intensity and/or fossil fuel use)
- undermining other environmental objectives by causing significant environmental harm (e.g., unsustainable water use or ecosystem loss)
- undermining social objectives by causing significant adverse social impacts (e.g., flood diversion schemes that require involuntary resettlement of communities).

### 3. Project Objective

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

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

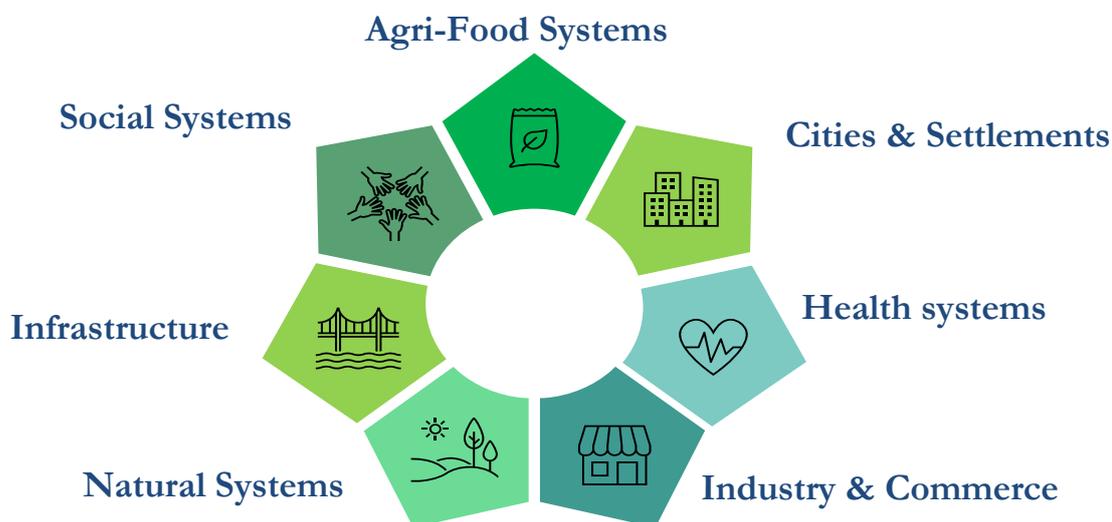
The main users of the CBRT are expected to be government bodies (regulators, ministries, treasuries, municipalities/city authorities, state-owned enterprises, etc.), financial institutions (banks, investors, asset managers, insurers, DFIs, etc.), real economy entities (corporates and other non-financial businesses, etc.), market observers (SPO providers, credit rating agencies, standard setters, etc.), and international organisations and development partners.

The use of the CBRT is not limited to debt issuance but is likely also to include use by governments and financial institutions to provide confidence and credibility in A&R investments. By establishing clear criteria, the CBRT identifies how an investment contributes to climate resilience, specifying the climate impacts it aims to address, organised according to seven climate resilience themes. These represent the areas where the effects of the climate bonds will be seen in the real economy:

- Resilient infrastructure, so that the reliability, safety, access and affordability of these services are not adversely affected.
- Resilient food systems, so that the provision, availability and affordability of nutritious food and related products, as well as food security, are not adversely affected.
- Resilient cities, so that the well-being, safety, security, livelihoods and economic potential of inhabitants is not adversely affected.
- Resilient social systems, so that populations, communities, households and individuals are better prepared for and able to cope with climate change impacts.
- Resilient health systems, so that they can respond to climate-driven health priorities and minimise adverse effects of climate on human health.
- Resilient natural systems, so that their intrinsic biodiversity, natural capital, ecosystems services and cultural significance are maintained and/or enhanced.
- Resilient industry, commerce and supply chains so that their economic output, operational safety, affordability of products and services and the provision of employment are not adversely affected.

An overview of the themes, sectors and sub-sectors of CBRT structure is provided in Figure 2. These seven themes encompass 27 sectors and 65 subsectors, between them covering all areas of socio-economic systems that would benefit from increased investment to reduce and mitigate vulnerability to climate hazards. Further details are provided in Annex 12.

**Figure 2: The seven CBRT themes**



## 4. Theory of change and strategy

### 4.1 Theory of Change

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

The theory of change is that *if* the Climate Bonds Resilience Taxonomy is further developed globally and tested in one country, and *if* data, analysis and guidance are provided and communicated to the EMDEs accompanied by capacity strengthening of issuers and engagement of green bond stakeholders, *then* there will be an increased understanding of the resilience bond market and an

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

The key assumptions include:

- The policy environment in EMDEs is conducive to furthering climate adaptation and resilience investments;
- Stakeholders, policy makers, issuers and investors engage;
- EMDE market conditions support adaptation and resilience finance;
- Labelled bonds can attract more capital and produce a better price for the borrower than ordinary bonds.

## 4.2 Implementation Strategy

The Danish grant will contribute to Climate Bonds' strategic programme on adaptation and resilience, which is designed to align with the strategic objectives of Climate Bonds to build the technical tools, develop the market and support the policy frameworks needed to increase financing for resilience globally. The programme has so far received limited funding, including from the Global Environment Facility (GEF).

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

- a) **Development of the CBRT:** The CBRT is an expansion of the Climate Bonds Taxonomy which was first released in 2012. The CBRT needs refinement with the further development of thresholds and greater granularity of metrics across all seven themes. The taxonomy will be taken through a robust public consultation process to allow for certification, and its development will be driven by expert working groups for each sector.

The Danish grant will enable Climate Bonds to advance the development of the resilience taxonomy to a point where it is published for public consultation. The CBRT currently operates solely at a global level<sup>11</sup> and has an overarching methodology for general use as well as a limited process-based certification methodology.<sup>12,13</sup> In 2025, Climate Bonds is working to further develop the investment criteria for one sector (water infrastructure) at a global level with existing support. The Danish grant will support the further development for eight further sectors across the CBRT themes at a global level as well as embed contextualised data, methodological approaches and perspectives from the partner country. These sectors will be determined by the needs of the partner country. The further development of eight sectors in the CBRT will include:

1. Refining the draft sector-specific investment screening criteria in the CBRT

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<sup>11</sup> [https://www.climatebonds.net/files/documents/supporting-documents/Climate-Bonds\\_CBRT-v1-Final-003-User-View\\_Protected-version2-2-1.xlsx](https://www.climatebonds.net/files/documents/supporting-documents/Climate-Bonds_CBRT-v1-Final-003-User-View_Protected-version2-2-1.xlsx)

<sup>12</sup> [Climate-Bonds-Resilience-Taxonomy\\_Certification-Outline\\_May-2025.pdf](#)

<sup>13</sup> [Climate-Bonds\\_Resilience-Methodology\\_2024.pdf](#)

2. Validating or developing methodologies, metrics, and thresholds for sector-based resilience investments
  3. Ensuring consistency and coherence with CBRT principles, particularly regarding Substantial Contribution (SC), Do No Significant Harm (DNSH), and Maladaptation assessments
  4. Identifying sector specific proxies
  5. Identifying implementation challenges and providing recommendations to enhance the usability and practical application of the CBRT
  6. Contributing to the development of market guidance to support adoption and usability of the CBRT
- b) **Tailoring to country-context:** Tailoring the CBRT to be fit-for-purpose in key pilot regions and creating user-oriented guidance to enhance its uptake. This will be achieved through convening local resilience experts into working groups to identify and prioritise national resilience needs and support the identification and development of local thresholds for the relevant themes and sectors.
- Under the project, the global taxonomy will be tailored to the local context and priorities in one lower middle-income country (India) and jointly with relevant institutions elaborate a common, credible set of definitions and metrics for investments from both international and national stakeholders. The USISA project will focus on India and support linked work in Cambodia, which is separately funded by GEF.*
- c) **Creation of targeted resilience finance knowledge products:** Knowledge products developed on the CBRT and the development and application of local A&R taxonomies. Production of an online taxonomy platform to facilitate easier access to the taxonomy, user guidance, tools, briefings for different stakeholders including approaches to mitigating debt risks and building local currency markets.
- Under the project, the activities will include the development of resilience taxonomy guidance and explainer, which is contextualised to EMDEs and development of an on-line platform designed to improve usability and accessibility of the CBRT. The access to the on-line platform will be free of cost to EMDEs, since the cost will be covered by the project. The sector toolkits developed are used in the pilot country to provide feedback of user experience.*
- d) **Connecting issuers with the ecosystem:** A key intervention is the strategy of supporting issuers to develop their pipelines and facilitating connections with a broader ecosystem of actors – including technical assistance providers, blended finance entities, and guarantee schemes – to address barriers beyond project identification. This convening role is critical to overcoming challenges issuers face in bringing bonds to market. These "Issuers' Clubs" bring together public and private sector actors, technical assistance providers, and investors, fostering collaboration and knowledge exchange. The composition of issuers clubs will vary according to country context but would likely include sovereign, sub-sovereign, development finance bodies, banks and corporates.
- Based on Climate Bonds country-level experience from other green bonds, notably bonds focused on climate mitigation, the project includes developing the terms of reference and background analysis for establishing an*

*Issuers' club in the pilot country India, which will be a possibility of gaining experience for later scaling up. Members of the Issuers' club could include local and national government institutions, banks, corporates and development finance institutions. To mitigate the risks of structural barriers to issuance, issuers who demonstrate enhanced readiness and those with high likelihoods of success in the short term will be the initial focus, while simultaneously building capacity for more challenging deals.*

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

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

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

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

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

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

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

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

- i) **Policy analysis and support:** Developing the recommendations to create a supportive policy environment for resilience financing for governments and DFIs. Work will include integrating the CBRT into national taxonomies, guidance on taxonomy governance and interoperability. Research and recommendations on mainstreaming a resilience lens throughout public and private sector investments and policies to ensure all investments are future proofed. Importantly research will look at methods to increase local fiscal space and build local capital markets to increase finance flows without increasing external debt for

vulnerable nations. Advocacy at COP and other international fora such as with the G20 to build momentum for resilience financing. Engage with national stakeholders, such as ministries of finance, ministries of environment, regulators, and central banks, to ensure alignment with national priorities and foster ownership, enhancing the likelihood of sustained outcomes.

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

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

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

### 4.3 The approach of the pilot country work

Climate Bonds will work with local stakeholders in a pilot country to identify national and local priorities for resilience financing and support the building out of a globally aligned local taxonomy to support issuers to identify projects that align with global taxonomies and national priorities and facilitate connections between issuers, aggregators, blended finance providers, investors, and other solution providers.

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

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

Having the pre-requisites in place, or in process, will enhance the likelihood that the project activities contribute to an actual green bond issuance and the selection of a pilot country is therefore based on a thorough analysis. It is important that adaptation and resilience considerations are mainstreamed in major

policy areas and in National Adaptation Plans, and that the country has identified or is ready to identify and prepare a pipeline of adaptation and resilience projects or government programmes. The pipeline should have a sufficient size to reach capital markets, which can be challenging given the often-small nature of climate adaptation investments, for example in the agriculture sector.

#### Examples of CBI pipeline development

In 2023 Climate Bonds provided TA to **CRDB Bank Tanzania** to support the development of a Sustainable Bond Framework to underpin the planned green bond issuance. Further support was provided to guide management of the UoP and identify potential project pipelines for the linked USD 300 million green bond. The framework identified numerous eligible sustainable projects based on Climate Bonds A&R resilience principles.

Climate Bonds provided TA for the **Arab African International Bank S.A.E. (AAIB)** in April 2024 to support the development of a Sustainable Bond Framework, identify potential pipeline investments and areas for improvement in policies and operations. Following the TA, AAIB successfully issued a USD 500 million sustainability bond in November 2024 governed by the Sustainable Bond Framework, which included multiple A&R measures and projects within the eligible UoPs, including nature conservation and climate smart agriculture.

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

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

- Middle income, ODA eligible country as demonstration starting country with climate adaptation and resilience well integrated in national planning, at least in some priority sectors;
- Significant relative exposure to climate change risks to the population and economy in terms of likelihood of adverse climate effects, consequences of

adverse climate effects and number of people affected.

- The country has initiated the journey by developing a taxonomy of some form (green or transition) that requires additional support to develop an adaptation and resilience component or to support uptake and usability;
- A certain volume of investors interested in green bonds and preferably with previous experience form bond investment in the country;
- Potential access to concessional finance for issuers;
- Potential for impact for the work to scale, for example by supporting a regionally relevant demonstration taxonomy;
- Previous Climate Bonds experience from the country, for example through training activities or facilitation of elaboration of a broader green bond taxonomy;
- If possible, potential synergies with other Danish funded cooperation will be taken into consideration.

At the time of elaborating this project document, Climate Bonds is in the process of consulting and securing the necessary national and stakeholder support in India, including with the Ministry of Finance

and national development finance institutions. Alternatively, pilot country activities will be shifted to Brazil, where Climate Bonds is already working. The support is being coordinated with the Danish Embassy team in Delhi. Based on conversations with the Danish Embassy in Delhi, the work could also be usefully framed as part of the current and planned bilateral Green Strategic Partnership<sup>14</sup> where there are a large number of synergies between the project and the goals of the Indian and Danish cooperation on climate, finance and meeting the sustainable development goals (SDGs). It is furthermore envisaged to announce the partnership at COP30 in Belem in November.

India fulfils the criteria and prerequisites described above. It has identified infrastructure as a key funding priority within national expenditures, which already aligns well with the development of the CBRT. Climate Bonds' approach to supporting pipeline development has been developed over many years and involves several tactics. A key tool is the portfolio review service, this is for potential issuers as well as lenders to identify and develop credible and aligned investment opportunities within existing project, lending and investment plans. This approach requires a strong relationship with the relevant stakeholders. In India, Climate Bonds is finalising an MOU with NABARD, the agriculture and rural development bank, to further deepen cooperation in-country. Technical assistance and training for potential issuers in understanding the characteristics of credible labelled debt and projects are approaches that can be used when there are insufficient existing aligned projects. This involves working closely with an issuer or lender to create a framework or strategy that establishes the requirements to achieve A&R outcomes and then supporting identification of aligned projects or measures.

India has a well-developed and active labelled bond market with an established system for scheduling borrowing against planned government expenditures<sup>15</sup>. Most of the government borrowing in 2025 and planned in 2026 is from domestic lenders (USD 19 billion) compared with international lenders (USD 60 million)<sup>16</sup>, reducing currency fluctuation risk. The current labelled debt market in India is smaller than the overall unlabelled (or vanilla) market, indicating significant space to grow through addressing A&R needs in vanilla debt structures without adding to the overall debt burden. The **total outstanding bond market (vanilla and labelled)** in India is about **US\$ 2.69 trillion** as of December 2024, with labelled bonds comprising USD55.9Bn.

The process of developing an A&R taxonomy that is informed by the constraints and priorities of India will support the creation of a taxonomy that is more relevant and useful for middle- and low-income countries. Not all use-cases are market or investor focused, a credible taxonomy is valuable for stakeholders to rapidly identify A&R measures that support national A&R priorities, develop pipelines of projects for national and donor expenditures, set national investment priorities and raise specific A&R funds from donors. The taxonomy can also be used to identify information gaps in the body of locally relevant climate risk projections that are necessary to build project pipelines and identify investment measures. Use-cases and related engagement, technical assistance and training will be identified and developed based on the context. A linked, separately funded project will work in Cambodia to convene national stakeholders with the aim of understanding the constraints, taxonomy use-cases and priorities

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<sup>14</sup> [India-Denmark Joint Action Plan \(2021-2026\)](#)

<sup>15</sup> [india-fi-h2-fy25-borrowing-calendar.pdf](#)

<sup>16</sup> [allrec.pdf](#)

of a very low income, small country and embedding the learnings within the global CBRT to ensure it has the widest possible reach.

Climate Bonds has worked in India since 2016, collaborating with policy makers, regulators, financial institutions, investors and corporates to mainstream sustainable finance and manage climate risk. Amongst the several initiatives the Initiative on Climate Risks and Sustainable Finance for instance supports regulators and policy makers while enhancing capacities across banks, DFIs, investors and corporates, especially high-emitting firms, to help design and implement credible transition plans and scale finance - both green and transition. Climate Bonds combines policy engagement (regular inputs to Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), International Financial Services Centres Authority (IFSCA) and Ministry of Finance (MoF), issuer and investor engagements (workshops, deep dives, training), market integrity tools (Climate Bonds Standards and certification), and multi-stakeholder convening (roundtables, G20/COP inputs and flagship State of the Market analysis) to create an enabling environment for domestic and international capital flows into low-carbon and resilient investments.

The knowledge, networks and skillsets built over the past decade through these sustainable finance market building activities positions Climate Bonds in a well to deliver the USISA project in India. USISA also ties in well with emerging priorities in India where resilience has become a priority agenda for the government. For example, Climate Bonds worked in partnership with the World Resource Institute to convene Indian agri-resilience experts and identify credible resilience projects in line with the Climate Bonds Resilience Principles for agricultural investment frameworks. The project also helped design catalytic instruments (including a Rabo Foundation / USAID credit guarantee) and supported five institutions to commit to labelled “resilience” bonds financing sustainable agriculture, while market transactions such as Sammunati’s climate-smart agriculture bond signalled growing private appetite.

In India, Climate Bonds is engaging with a broadening range of stakeholders, moving beyond the current regulators, DFIs and MDBs to include pension funds and insurers, large asset owners, rating agencies, corporate buyers, state governments and city authorities, AgTech innovators, philanthropic and development partners. Climate Bonds has opened dialogues with the Pension Fund Regulatory and Development Authority (PFRDA) and the Insurance Regulatory and Development Authority (IRDAI) on creating dedicated green pools, deepened its partnerships with the National Bank for Financing Infrastructure and Development (NaBFID), and the National Bank for Agriculture and Rural Development (NABARD), and others; and is engaging with institutional investors and insurers. At the subnational level Climate Bonds is actively engaged with several states and cities to help them in their transition & resilience fund raising among others.

To provide some context for the trusted position of Climate Bonds in India with the government on sustainable finance the following is an overview of the memberships of the team in sustainable finance government working groups.

1. Member of the Green Equity Committee of the National Stock Exchange of India
2. Member of the technical committee on Taxonomy Development constituted by the MoF.
3. Member of the IFSCA Climate Finance Committee

4. Member of the Interministerial group on Climate Finance.
5. Member of the Guidelines Drafting Committee and the Disclosures Framework Committee instituted by the Ministry of Corporate Affairs, Government of India for the formulation of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities and BRSR (ESG disclosures mandated by SEBI) for India.
6. Member of the Taxonomy Development Working Group of Sustainable Finance Taskforce of the Ministry of Finance (2020 -2021) - Previously
7. Member of the Sustainable Finance Committee of the International Financial Services Centres Authority (regulator for the Gujarat International Financial Services Centres) - Previously
8. Chair of the India Green Bonds Committee - Previously

In addition to India, Climate Bonds will use the approach and work to engage with key A&R finance stakeholders in Brazil and as part of a separate Global Environment Facility supported project, the CBRT will also be tested in Cambodia to build in the perspectives and constraints of a very low income, highly vulnerable country. A synthesis pilot country analysis is enclosed as Annex 11. The GEF project is also intended to support the USISA project outcomes in India through sharing resources and leveraging the in-country networks of GEF and the implementing partner UNIDO to build momentum and ownership.

In conjunction with this, desk-based research and analysis of the debt market structure in the relevant country will be undertaken. Synergies with Danish funded cooperation projects including projects funded through the Impact Fund Denmark and the presence of Danish representatives in country will form part of the assessment.

## 5. Results framework

Progress will be measured through Climate Bonds’s monitoring framework focusing on the outputs and outcomes of the results framework and their associated indicators. Some targets related to the pilot country will have to be validated with partner institutions in the inception phase.

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

<b>Project Title</b>	<b>Partnership with Climate Bonds International</b>
Outcome 1	Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India <sup>17</sup>
Outcome indicator	a. Number of A&R-related issuers in India

<sup>17</sup> In case the pilot country is changed to Brazil, the indicators will remain the same, but the baseline values and targets will be adapted to the national context. This will be assessed in the planned inception review.

		b. Volume of A&R-related issuance in India	
Baseline	2025		a. Issuers including A&R in frameworks 4 (total to date), 2 (2024) b. USD 8.4bn (total to date), USD 3.3bn (2024)
Target <sup>18</sup>	2026		a. Issuers including A&R in frameworks 4 (total to date), 2 (2025) b. USD 11.4bn (total to date), USD 3.0bn (2025)
Target	2027		a. Issuers including A&R in frameworks 6 (total to date), 4 (2026) b. USD 15.4bn (total to date), USD 4.0bn (2026)
Target	2028		a. Issuers including A&R in frameworks 8 (total to date), 6 (2026) b. USD 17.4bn (total to date), USD 6.0bn (2027)

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

Output 1.2		Indian issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders.	
Output indicator		a. Issuer club of relevant issuers regularly convened and active. b. Issuer club members report an increased ability to identify and develop credible A&R pipelines for investment.	
Baseline	2025		a. No issuer club established in India b. No or little exchange of information between issuers and investors
Target	2026		a. Issuer club convened in India b. Beginning exchange of information between issuers and investors
Target	2027		a. Issuer club active, training and workshops developed on A&R related issues b. Issuer club co convened with investor working group to build networks across the ecosystem.
Target	2028		a. Issuer club active with regularly attendance of representative group of issuers from India b. At least 90% of issuers of issuer club report an increased understanding of credible A&R pipelines

Output 1.3		Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&R project financing.	
Output indicator		a. Relevant stakeholders regularly convened in India and active in a working group on adaptation and resilience b. Knowledge products published based on co-creation between working group members in India	
Baseline	2025		a. No working group convened b. 0
Target	2026		a. TOR for working group developed, stakeholder analysis completed and working group convened b. 0

<sup>18</sup> Targets will be verified during the inception phase through consultations with Indian stakeholders.

Target	2027		<ul style="list-style-type: none"> <li>a. Working group active with two meetings and workshops with issuers clubs.</li> <li>b. Workshops on CBRT<sup>19</sup> and knowledge products for the local taxonomy developed in response to needs</li> </ul>
Target	2028		<ul style="list-style-type: none"> <li>a. Working group active with one workshop with issuers club.</li> <li>b. Co-creation and publication of research and learning outputs from the activities of the working group.</li> </ul>

Output 1.4	Strengthened capacity of issuers to develop A&R aligned green bond frameworks in India		
Output indicator	a. Number of issuers supported to develop A&R-aligned green bonds frameworks		
Baseline	2025		a. 0 issuers trained. No TA provided
Target	2026		a. 0 issuers trained. TA framework for supporting issuers to develop A&R-aligned green bonds frameworks developed and agreed.
Target	2027		a. At least 10 issuers trained in India (Including Munis, States, FIs & Banks)
Target	2028		a. At least 15 issuers trained in India (Including Munis, States, FIs & Banks)

Outcome 2	Strengthened A&R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs		
Outcome indicators	<ol style="list-style-type: none"> <li>1. Number of investors reporting increased knowledge and understanding of A&amp;R investment opportunities in EMDEs and the pilot country by 2028</li> <li>2. Number of references to credible A&amp;R tools in investment frameworks, bond frameworks, climate strategies and other relevant publications</li> <li>3. Extent to which there is evidence of a stronger A&amp;R debt market based on number of issuers across types of issuers (banks, corporates, sovereigns) and countries.</li> </ol>		
Baseline	2025		Baseline of number of report and research references
Target	2026		Baselines for market understanding of A&R frameworks established through public references to tools and market surveys with key informants. <sup>19</sup>
Target	2027		<ol style="list-style-type: none"> <li>1. X% increase in Number of investors reporting increased knowledge and understanding of A&amp;R investment opportunities in EMDEs and the pilot country</li> <li>2. X% increase in references to credible A&amp;R tools in investment frameworks, bond frameworks, climate strategies and other relevant publications</li> <li>3. X% increase in number and types of issuers and issuance (banks, corporates, sovereigns) and countries.</li> </ol>
Target	2028		<ol style="list-style-type: none"> <li>1. X% increase in number of references of Climate Bonds Resilience research from 2023 baseline</li> <li>2. X% increase in number of investors reporting increased knowledge and understanding of A&amp;R investment opportunities in EMDEs and the pilot country</li> </ol>

<sup>19</sup> Baseline values and targets will be established on the basis of a baseline study in the pilot country during the inception phase.

			3. X% increase in number and types of issuers and issuance (banks, corporates, sovereigns) and countries.
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Output 2.1		Global CBRT further developed and freely available for EMDE stakeholders	
Output indicator		Number of sectors and measures further developed in the global CBRT	
Baseline	2025		Global CBRT partially completed. 1 sector within infrastructure and whitelist of investable measures developed.
Target	2026		Four resilience working groups to develop CBRT convened and four CBRT sectors drafted and tested with market stakeholders, published for consultation.
Target	2027		Four additional (eight cumulative) resilience working groups to develop CBRT convened. Eight CBRT sectors drafted and tested with market stakeholders, published for consultation.
Target	2028		Eight CBRT sectors finalised after public consultation.

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

Output 2.3		Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&R measures in EMDEs.	
Output indicator		<ul style="list-style-type: none"> <li>a. Annually published research that provide useful information on A&amp;R market trends</li> <li>b. Policy market development research and recommendations</li> <li>c. Taxonomy knowledge and guidance products and tools</li> <li>d. Numbers of reports downloaded</li> </ul>	
Baseline	2025		<ul style="list-style-type: none"> <li>a. 0</li> <li>b. 0</li> <li>c. 0</li> <li>d. 0</li> </ul>
Target	2026		<ul style="list-style-type: none"> <li>a. Annual State of the Market (SoTM) research report includes focus on EMDEs A&amp;R bond analysis. Initial dataset used to develop spotlight section on A&amp;R bond and market growth.</li> <li>b. 2 thematic market and policy research briefings published on A&amp;R market growth</li> <li>c. 5 knowledge products for EMDEs developed and disseminated on CBRT and national taxonomy including guidance, tools, sector briefings for market stakeholders.</li> <li>d. 15,000</li> </ul>
Target	2027		<ul style="list-style-type: none"> <li>a. Deep analysis on A&amp;R bond dataset and initial trends used to develop full section on A&amp;R bonds and market growth within global SoTM with a focus on EMDEs</li> </ul>

			<ul style="list-style-type: none"> <li>b. 2 briefings developed providing policy recommendations for market growth and taxonomy implementation.</li> <li>c. Development of an online platform to increase the accessibility and usability of the CBRT for EMDE stakeholders. 4 additional thematic and sector toolkits developed and available on platform.</li> <li>d. 17,500</li> </ul>
Target	2028		<ul style="list-style-type: none"> <li>a. Full dataset available and used to develop A&amp;R SoTM</li> <li>b. 1 briefing published providing lessons learned and recommendations for overall market development for A&amp;R taxonomy development and implementation.</li> <li>c. All knowledge products and briefings available on online platform.</li> <li>d. 20,000</li> </ul>

Output 2.4		Effective communications and investor engagement campaign - strategic and targeting A&R market growth in EMDEs	
Output indicator		<ul style="list-style-type: none"> <li>a) Number and types of events and convenings held for and focused on A&amp;R</li> <li>b) Number and types of stakeholders participating in those events</li> <li>c) Number and types of events Climate Bonds is invited to as an A&amp;R expert</li> </ul>	
Baseline	2025		<ul style="list-style-type: none"> <li>a. 0</li> <li>b. 0</li> <li>c. TBD</li> </ul>
Target	2026		<ul style="list-style-type: none"> <li>a. 2 conferences (1 global and 1 regional) with A&amp;R focused events</li> <li>b. 600 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 5 in person and remote events focused on market stakeholders</li> </ul> <p>Communications and marketing strategy developed.</p>
Target	2027		<ul style="list-style-type: none"> <li>a. 2 conferences (1 global and 1 regional) with A&amp;R focused events</li> <li>b. 700 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 10 in person and remote events focused on market stakeholders</li> </ul>
Target	2028		<ul style="list-style-type: none"> <li>a. 1 conference with A&amp;R focused events</li> <li>b. 200 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 7 in person and remote events focused on market stakeholders</li> </ul>

## 6. Budget (DKK)

The budget has been developed based on the cost categories A1 (Direct Activity Cost) A3 (Allocated Activity Support Cost) and B (administration at 7%). There is no implementation through local partners (A2). The personnel daily rate reflects the costs to Climate Bonds of each team member, this includes the salary, statutory requirements such as employer social security payments and benefits such as pensions. For team members outside of the UK hired as permanent staff the costs of the local payroll and employer of record (Personnel Employment Office – PEO) are also included. Also included is a 5% annual increase in unit costs to account for inflation and pay rise. The exchange rate used in the October 2025 budget submission is 1.00 GBP to 8.61 DKK based on actual market rates. More details on the calculation for A3 costs are included in the detailed budget annex.

Budget category	Budget line	Total Budget (DKK)	2025 -2026 (DKK)	2026 - 27 (DKK)	2027 - 28 (DKK)
A1	OUTPUT 1.1 - Total direct activity cost	8,280,108	3,384,819	3,466,561	1,428,728
A3	OUTPUT 1.1 - Total direct allocated programme-supporting (activity-specific) cost	1,099,007	372,081	441,577	285,350
	OUTPUT 1.1 - Total direct cost A local resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT	9,379,115	3,756,901	3,908,138	1,714,077
A1	OUTPUT 1.2 - Total direct activity cost	3,823,925	1,045,934	1,185,212	1,592,779
A3	OUTPUT 1.2 - Total direct allocated programme-supporting (activity-specific) cost	686,111	211,072	197,461	277,579
	OUTPUT 1.2 - Total direct cost Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders	4,510,036	1,257,006	1,382,672	1,870,358
A1	OUTPUT 1.3 - Total direct activity cost	4,491,674	1,346,807	1,291,656	1,853,211
A3	OUTPUT 1.3 - Total direct allocated programme-supporting (activity-specific) cost	827,245	272,472	220,126	334,647
	OUTPUT 1.3 - Total direct cost Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&R project financing.	5,318,918	1,619,279	1,511,781	2,187,858
A1	OUTPUT 1.4 - Total direct activity cost	2,365,052	504,841	804,200	1,056,011
A3	OUTPUT 1.4 - Total direct allocated programme-supporting (activity-specific) cost	380,760	108,863	140,791	131,106
	OUTPUT 1.4 - Total direct cost Strengthened capacity of issuers to develop A&R aligned green bond frameworks in India	2,745,812	613,704	944,991	1,187,117
A1	OUTPUT 2.1 - Total direct activity cost	8,652,590	2,267,909	3,155,373	3,229,307
A3	OUTPUT 2.1 - Total direct allocated programme-supporting (activity-specific) cost	1,035,517	330,393	378,674	326,450
	OUTPUT 2.1 - Total direct cost Global CBRT further developed and freely available for EMDE stakeholders	9,688,107	2,598,303	3,534,047	3,555,757
A1	OUTPUT 2.2- Total direct activity cost	2,487,178	751,372	936,189	799,616
A3	OUTPUT 2.2 - Total direct allocated programme-supporting (activity-specific) cost	266,324	98,952	102,403	64,970
	OUTPUT 2.2 - Total direct cost Adaptation Investment Tracker created for EMDEs. Database of credible A&R related bonds is developed based on existing Climate Bonds GSS+ Database	2,753,502	850,324	1,038,592	864,586
A1	OUTPUT 2.3 - Total direct activity cost	4,460,619	1,206,484	1,515,717	1,738,418
A3	OUTPUT 2.3 - Total direct allocated programme-supporting (activity-specific) cost	854,587	275,779	284,713	294,095
	OUTPUT 2.3 - Total direct cost Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&R measures in EMDEs	5,315,206	1,482,263	1,800,430	2,032,513
A1	OUTPUT 2.4 - Total direct activity cost	5,702,156	1,710,485	1,829,189	2,162,482

A3	OUTPUT 2.4 - Total direct allocated programme-supporting (activity-specific) cost	728,830	231,602	271,399	225,829
	OUTPUT 2.4 - Total direct cost Effective communications and investor engagement campaign - strategic and targeting A&R market growth in EMDEs	6,430,986	1,942,087	2,100,588	2,388,311
A7	Audit	120,000	40,000	40,000	40,000
A	A - Total direct cost: Programme specific activities supporting main outcome of Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India and Strengthened A&R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs	46,261,683	14,159,867	16,261,239	15,840,577
	-----of which is	-			
	----spent directly on activities	40,263,302	12,218,653	14,184,096	13,860,553
	----spent directly through transfers to local independent partners	-	-	-	-
	----spent on output-allocated programme supporting cost	5,878,381	1,901,214	2,037,143	1,940,024
B1	Administration fee (non-activity specific, max 7% of direct costs)	3,238,318	991,191	1,138,287	1,108,840
B	B - Total indirect cost	3,238,318	991,191	1,138,287	1,108,840
	Total budget (A+B)	49,500,001	15,151,057	17,399,526	16,949,417
	MEL Budget to be retained by MFA	500,000	250,000		250,000
To be confirmed	GRANT (annual liquidity required / disbursement plan)	50,000,000	24,750,000	24,750,000	

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

Additional pipeline funding of USD 1.3 million for work on resilience and the CBRT is anticipated from the Global Environment Facility from December 2025 for 24 months. The GEF funding is anticipated to cover part of the costs for key team members that will be shared across both projects. More detail is available in the budget excel file. It is therefore required that time registration is practiced and verified by the auditor in order to ensure clear distinction between the funding sources.

## 7. Project management, reporting and monitoring

### 7.1 Project management and reporting

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

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

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

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

**Table 2: Climate Bonds Reporting Schedule**

<b>Report</b>	<b>Deadline</b>	<b>Contents</b>
Inception report	31 May 2026	Description of project organisations and Work plan for 2026.
Audited accounts 2025	30 June 2026	Annual audited accounts for 2025 (since start of grant)
Semi-annual progress and financial report	30 September 2026	Covering period from start of grant to 30 June 2026
Annual progress and audited financial report	31 March 2027	Covering January – December 2026
Audited accounts	30 June 2027	
Semi-annual progress and financial report	30 September 2027	Covering January-June 2027
Annual progress and audited financial report	31 March 2028	Covering January – December 2027
Audited accounts	30 June 2028	
Semi-annual progress and financial report	30 September 2028	Covering January – June 2028
Final Results Report and annual progress and final financial audited report	31 March 2029	Covering the entire project duration.
Audited accounts	30 June 2029	

*Note: Project start date: 1. December 2025.*

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

**Figure 3: Organisational set-up for the project within Climate Bonds**



## 7.2 Monitoring, evaluation and learning

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

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

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

In accordance with Danida aid management guidelines, changes in project output formulation or targets need approval by the MFA. Any reallocations to budget items for salaries and staff costs must be approved by the MFA (FMG p. 8). Budget reallocations between project outputs above 10% of the output budget require prior approval from the MFA. Budget reallocations below 10% should be reported in the annual report.

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

The MFA will undertake an inception review in 3<sup>rd</sup> quarter of 2026 and a mid-term review no later than 4<sup>th</sup> quarter of 2027.

## 8. Financial management and reporting

It is the obligation of Climate Bonds to adhere to the requirements for financial management of Danish development assistance, as set forth in Danida Aid Management Guidelines and the Danida Financial Management Guidelines (October 2019) (Links: AMG: [Home](#) and FMG: [General Guidelines for Financial management](#)). The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed in this project document. The partner is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and cost effectiveness in achieving the results intended. To achieve this, the partner is expected to ensure that a system is in place for day-to-day monitoring of the implementation of the activities and for overseeing the progress as compared to the agreed results framework, budgets and work plan. The following sections describe the financial management arrangements of Climate Bonds in relation to this grant.

### **Disbursements**

Disbursements will be made in two tranches and will be drawn according to the requirements of section 4 of the Financial Management guidelines. The first disbursement will be made in Q4 2025 and the 2<sup>nd</sup> disbursement will be made in Q3 2026. Bank account information (IBAN account number, recipient bank name and address) will be cleared in advance and formal draw down requests will be made in writing

by the designated contact. The following measures will be in place before Climate Bonds make a draw down request:

- There is an approved work plan and budget for the period to be financed,
- Copy of bank statement with balance of accounts
- Satisfactory technical and financial reporting has been submitted for previous periods
- Confirmed reception of prior transfers
- Satisfactory use of prior transfers

The disbursement request should include a statement with:

- Funds previously received
- Funds previously spent
- Bank statement or bank reconciliation. Account balance, if applicable
- Budget for the next period
- Amount requested for transfer/disbursement
- Bank details (IBAN account number, recipient bank name and address)
- Two authorised signatures

Receipt of funds will be confirmed no later than 14 days after receipt.

Funds will be held in a consolidated Climate Bonds bank account. Any interest accrued on the balance of funds held from MFA will be accounted for and paid back to MFA annually.

### **Climate Bonds procedures pertaining to financial management, including anti-corruption measures**

Climate bonds has a detailed set of procedures relating to financial management, anti-fraud and anti-corruption. These procedures include an Economic Crimes Policy, a Travel and Expenses policy, an Authorisation matrix and a procurement policy. The Economics crime policy covers Anti-Bribery and Corruption, Fraud, Anti-money laundering, Facilitation of Tax Evasion policy and Sanctions.

Climate Bonds has a 'zero tolerance' policy towards all types of economic crime. Climate Bonds will always seek to take disciplinary and/or legal action against those found to have perpetrated any Economic Crime activities. No offer, payment, consideration, or benefit of any kind, which could be regarded as an illegal or corrupt practise, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award, or execution of contracts. Any such practise will be grounds for the immediate cancellation of this agreement/contract and for such additional action, civil and/or criminal, as may be appropriate.

Transparency and openness on issues of suspicions of irregularities, fraud or corruption is key in the partnership between Climate Bonds and the MFA. As such, it is a requirement that Climate Bonds immediately share and report on all substantiated suspicions. The following types of irregularities should be reported:

Fraud, corruption, theft, highly irresponsible management of funds, non-compliance to the co-funding agreement or serious non-compliance to agreements with implementing partners, any issues that interfere or threaten to interfere with the obtainment of the objectives of this agreement or any agreement with implementing partners (e.g. funds spent in accordance with budget, but results significantly below target resulting in clear lack of value for money), any issues that might result in a financial loss, partnerships ending with unaccounted for funds, qualified implementing partner audits, serious internal audit findings and any other issues deemed relevant.

Control of expenditure is automated through Climate Bonds' financial management and reporting system, XLedger and tight controls are maintained over all bank payments through the preferred online banking system with dual authorisation and division of duties in place.

The MFA reserves the right to claim full reimbursement of expenditure regarded ineligible according to the agreement between the parties.

### **Procurement**

Climate Bonds has a procurement policy to ensure that goods and services purchased by the organisation are obtained in a cost-effective, fair, and non-discriminatory, competitive, efficient, secure, and transparent manner. The policy covers the purchase of all services and goods for use in a grant, funded project, for provision of climate services and/or general organisational requirements with a contract or similar agreement, with a value in excess of GBP 10,000

### **Financial reports, including final financial audited report**

Climate Bonds produces monthly management accounts. These are prepared by the finance team, rigorously checked and made available to Climate Bonds Senior Leadership Team within 13 working days following the end of the month. The management accounts are drawn directly from Climate Bonds accounting system, XLedger and include a full Income and Expenditure statement and Balance Sheet, along with supporting schedules. Analysis is available, on a project by project level, on a monthly basis. Project financial reports are then prepared according to funders' requirements and guidelines, normally on an annual or bi-annual basis. For this project's earmarked funding, Climate Bonds shall submit audited accounts to Denmark in accordance with Danida financial management guidelines. It should be noted that Danida will require auditors to sign off on full tractability of all costs including personnel time billed to the project.

A 24-month rolling forecast is maintained and detailed quarterly forecasts prepared for the current financial year on a quarterly basis.

An annual budget is prepared for the following year, for approval by the Board of Trustees before the start of the financial year. Monthly management accounts are compared to budget and the latest forecast.

### **Accounting and auditing**

Annual accounts are prepared and subject to full audit according to an agreed audit timetable. These accounts are prepared according to generally accepted accounting principles, signed off by the auditors

and the Board of Trustees and submitted to Companies House and the Charities Commission within the statutory reporting timetable requirements.

The audit will comprise of a financial audit, including elements of compliance and performance audits. Therefore, an audit is required to cover both financial information as well as compliance, economy, efficiency and effectiveness aspects of the activities. The basis for the audit must be the International Standards for Auditing (ISAs) in regard to the financial audit. The basis for the compliance and performance audit must follow relevant International Standards of Supreme Audit Institutions (ISSAIs).

## 9. Risk Management

The table below includes a summary of the risk analysis and risk response for contextual, programmatic and institutional risk factors for the partnership with Climate Bonds. The risk management matrix will be further developed during the inception phase through consultation with Indian stakeholders.

The most important risk of the project is related to the further engagement with the pilot country, India. Climate Bonds has been working in India for over a decade and has excellent networks across the public and private sector stakeholders important for this project. A linked GEF-funded project is also working to build the national support foundation through securing GEF focal point endorsement. The Danish embassy in India has also suggested that the project be framed and supported within the bilateral Green Strategic Partnership to strengthen the dialogue with the relevant Indian authorities together with Climate Bonds.

The rising interest rates in the debt market and the risk of debt distress constitutes a risk in relation to the replication of A&R bonds issuance in other countries, even if the project with India results in a successful issuance. Climate Bonds will work with potential issuers to align planned pipeline spend with credible A&R measures to ensure that additional debt burdens are not created and that all planned spend integrates climate resilience. The CBRT is also valuable beyond debt issuance, allowing government stakeholders in core ministries to more easily identify and understand measures and activities across priority sectors that will deliver long term resilience to project climate impacts. This is intended to enable all government planning and expenditure, not just new spending, to align with adaptation priorities.

Labelled bonds will on the one side ensure that the funding mobilised through issuing bonds is spent on adaptation and resilience. But in the broader perspective of the national accounts of a country money is fungible, and lenders cannot know what would have been funded if the bonds were not issued. This is an inherent risk, which is known for example from providing sector budget support. Moreover, the combination of promises to bond buyers and fiscal austerity could in principle have negative impact on poverty alleviation if the government needed to cut spending elsewhere. Climate Bonds Sovereign Bond Survey<sup>20</sup> examined the processes and safeguards for developing and issuing sovereign bonds, specifically looking at how the UoPs were aligned with national priorities (and planned expenditure) and the use of second party opinion (SPO) companies to provide a degree of independent assurance on the quality of the framework and allocations. Apart from being linked to specific expenditures, most sovereign labelled bonds are subject to the same rules of public spending as vanilla bonds and therefore fall under a

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<sup>20</sup> [CBI SOV2020\\_03.indd](#)

country's main public financing framework. In almost two-thirds of the cases (63%) this framework places restrictions on earmarking revenues for specific uses. The post issuance reporting recommendations for green bonds help to counter this, and boost demand in EMDEs where investors feel that the extra scrutiny required by green bond frameworks ensures tighter controls on expenditures. As the finance framework and investor scrutiny create a certain lack of fungibility, some sovereigns have expressed reluctance to come to the market as governments need to divert funds if crises arise. A balance is therefore needed in financing from different sources. Labelled bonds are one element in a broader approach to financing for A&R.

## 10. Closure and exit

This 36-month partnership with Climate Bonds will bring the development of the CBRT forward and make it more relevant for developing countries. It will result in increased public awareness about adaptation and reliance aspect of green bonds and catalyse further investments in this area. Climate Bonds will be in a position to attract additional donor funds to expand the work during and after the Danish funding. Only about 50% of Climate Bonds income is based on donor grants, the remaining comes from Climate Bonds services, such as training, certification, data services, awareness and public information work. The development of the CBRT will put Climate Bonds in a position to expand the income base from these sources.

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

## Annexes

**Annex 1: Context Analysis**

**Annex 2: Partner Assessment**

**Annex 3: Theory of Change and Result Framework**

**Annex 4: Risk Management**

**Annex 5: Budget Details**

**Annex 6: List of Supplementary Materials**

**Annex 7: Plan for Communication of Results**

**Annex 8: Process Action Plan for Implementation**

**Annex 9: Signed table of appraisal recommendations and follow-up actions taken**

**Annex 10: Example of analysis of Pilot Country**

**Annex 11: Labelled bonds issued by country**

**Annex 12: Overview of the CBRT structure**

# Annex 1: Context Analysis

## 1. Poverty and inequality analysis

### Key conclusions for project design:

Poverty and inequality are closely linked to climate change; it is the poorest and most vulnerable in society that are most at risk from the impacts of climate change which often deepen and widen existing inequalities, affecting fundamental needs such as access to natural resources and adequate housing. Action on climate adaptation and resilience (A&R) has been slow in comparison to estimated needs<sup>21</sup> and inadequate finance has been consistently identified as a key limiting factor. Recent estimates put developing country adaptation finance needs at more than 10 times greater than international public finance flows.<sup>22</sup>

Public finance is insufficient to meet A&R needs, in addition, all economic activities should be undertaken with the goal of building resilience to future climate change. To address this, the *Unlocking Sustainable Investments at Scale towards Adaptation (USISA)* project is intended to provide support for increased private sector finance and capital market investments in A&R measures and to support the mainstreaming of A&R across all investments to build greater overall economic and social resilience.

Resilience is the ability to prepare for and respond to change, the existence of financial buffers, assets and fiscal space are a critical element of this as well as for permitting long term planning. As such, servicing debt, particularly international debt, can undermine resilience if there are limited revenue generating activities and limited fiscal space. As capital market actors seek a return on investment, they present a risk for A&R financing in least developed countries (LDCs) due to their limited fiscal and revenue generating space and financial market infrastructure. The project is therefore targeting a middle-income country. This is intended to reduce the risk of unsustainable borrowing as well as meet the project needs of financial stability, capital market activity and an existing domestic capital market to attract investments in resilience at scale. Middle-income countries are defined economically as countries with a per capita income ranging from USD 1,136 to USD 13,845 annually<sup>23</sup>, however, poverty rates can be significant, with up to 40% of the population in an upper middle-income country living on less than USD 3.65 a day<sup>24</sup> indicating a potentially high level of in-country income inequality. USISA is expected therefore to contribute to reducing in-country poverty and inequality whilst providing the tools and demonstration effect necessary to scale across multiple contexts, including fragile, conflict affected and LDCs.

### Project Summary

USISA will further develop a globally interoperable and localised resilience investment taxonomy (Climate Bonds Resilience Taxonomy – CBRT<sup>25(26)</sup>) and work with stakeholders (including investors, banks, development banks, national or sub-national governments and companies) to identify investable projects and measures that will build adaptation and resilience (A&R) to projected climate impacts across multiple themes (such as energy,

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<sup>21</sup> [Adaptation Gap Report 2023 | UNEP - UN Environment Programme](#)

<sup>22</sup> [Adaptation Gap Report 2023 | UNEP - UN Environment Programme](#)

<sup>23</sup> [Middle Income Countries : Development news, research, data | World Bank](#)

<sup>24</sup> [“Middle-income countries face a set of global challenges that require joint action” | United Nations](#)

<sup>25</sup> [Climate-Bonds Resilience-Methodology 2024.pdf](#)

<sup>26</sup> The CBRT is a classification system within the Climate Bonds Taxonomy that organises activities, assets, and measures for investment (investments) that have the potential to make a substantial contribution to climate resilience, and the interim criteria for assessing them. It does not prescribe a mandatory list of such investments but provides a positive set of credible resilience investments that mitigate the risk of greenwashing.

infrastructure, agriculture) in order to reduce vulnerability to climate impacts as well as reducing the effect of projected climate impacts.

The project is intended to support greater Paris Agreement alignment in financial flows. Paris alignment is both about mitigation (reducing emissions to remain within the temperature goals agreed at Paris in 2015) and increasing financing for A&R<sup>27</sup>. Resilience finance needs to incorporate both targeted resilience projects and the avoidance of maladaptation in general ongoing and planned workstreams such as investments in transport infrastructure, agricultural planning or energy transition projects. Many large-scale, capital-intensive projects are important for long term economic development but are vulnerable to climate change and need to be developed with an understanding of projected climate impacts to avoid maladaptation<sup>28,29</sup>. Poor planning and maladaptation can increase the risk of climate impacts in other sectors (e.g by damaging biodiversity or increasing unsustainable levels of water abstraction) and lock-in inequality and poverty<sup>30</sup>.

Climate change interacts with poverty in several ways, including through driving greater inequality between groups, keeping people trapped in a cycle of poverty and through climate shocks undermining tentative socio-economic gains made<sup>31</sup>. Poverty is not unidirectional, and it is equally important to support people to escape it and to prevent them from falling back in into it by investing in a strong foundation that builds resilience to climate shocks<sup>32</sup>. USISA is developing the CBRT for use by all stakeholders to help planners and investors identify measures that build resilience whilst also avoiding driving maladaptation and negative impacts.

#### **Which are the most vulnerable groups and are these targeted:**

Those most vulnerable to climate change are economically, socially, politically and institutionally marginalised<sup>33</sup>. Particularly groups heavily dependent on a stable and predictable natural resource base for livelihoods (such as those reliant on agriculture, fisheries, forest resources such as non-timber forest products, tourism) together with those with very low or irregular sources of income (reliant on illegal or informal economies) and with low or no access to financial safety nets from asset ownership or insurance. Women and girls are cross-cutting throughout all these marginalised groups and, therefore, the work is conducted with a clear gender lens for climate impacts. Investing in climate resilience and avoiding maladaptation ultimately benefits the most vulnerable groups in society.

#### **Are there any risks that the project/programme may cause harm to poor and vulnerable groups?**

The CBRT is being developed to support poor and vulnerable groups through driving finance towards activities and projects that increase A&R to climate change whilst actively identifying and avoiding risks of maladaptation. The primary risk stems from increasing capital market borrowing to potentially unsustainable levels. The project intends to minimise this by working in a country with low risk of debt-distress, an active domestic capital market and the ability to issue finance in a domestic currency to avoid international currency exchange risks.

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<sup>27</sup> [Climate-resilient finance and investment | OECD](#)

<sup>28</sup> [Upper Middle Income Countries - Set your infrastructure policies in the right direction](#)

<sup>29</sup> [Foreign direct investment, net inflows \(BoP, current US\\$\) | Data](#)

<sup>30</sup> [Climate-resilient finance and investment | OECD](#)

<sup>31</sup> Sen Gupta, S., Atal, A. Income inequality in the face of climate change: an empirical investigation on unequal nations, vulnerable regions and India. *SN Bus Econ* 4, 87 (2024). <https://doi.org/10.1007/s43546-024-00685-8>

<sup>32</sup> [165 million people fell into poverty between 2020 to 2023 as debt servicing crowded out social protection, health and education expenditures | United Nations Development Programme](#)

<sup>33</sup> [Considerations regarding vulnerable.pdf](#)

## 2. Political Economy and Stakeholder Analysis

### Key conclusions for project design

Due to the needs of private sector investors and the importance of securing a successful demonstration effect, the country selection and engagement will prioritise contexts with the following characteristics:

1. Stable political regime with accepted and durable governance systems that allow for political change and accountability, including the rule of law and a functioning judicial system.
2. Stable and functional financial architecture, including regulatory systems and institutions overseeing and governing domestic and international market actors.
3. An existing climate adaptation strategy at national or subnational level such as those contained within a Nationally Determined Contribution or National Adaptation Plan.

The USISA project will work closely with government stakeholders as the project is intended to support the development / expansion of a resilience taxonomy in the partner country. This will require the close engagement of the Ministry of Finance as well as other departments such as the treasury and financial regulator to ensure ownership and uptake of the taxonomy.

Domestic and international financial sector stakeholders are core stakeholder partners for Climate Bonds and the USISA project will leverage existing and build new connections to ensure the correct partners (banks, DFIs, investors) with a mandate for green and A&R investments are supported to engage effectively with the investment opportunities.

Civil society and academia are key stakeholders for the development and localisation of the taxonomy, in addition to acting as champions for its use across the financial and political system.

### **- Identify social, political, economic and institutional factors affecting the dynamics and possibilities for change.**

The project is intended to support growth in credible A&R finance. At a global level there are several factors influencing A&R financing and the ability of a country to finance their identified A&R activities.

1. Access to finance is identified as one of the biggest challenges to A&R action<sup>34</sup>. A&R finance reached \$63Bn (5% of total climate finance flows) in 2022<sup>35</sup> far less than the estimated A&R need of more than \$210Bn annually.
2. The private sector consistently finances less than 3% of global adaptation, much of which comes from philanthropies, governments and multilateral development banks (MDBs)<sup>36</sup>.
3. There is a lack of available data to support identifying priority investments, regions, and future climate impacts. Consistent, standardised methodologies and definitions for identifying investments are also lacking, creating reporting issues and inefficiencies. One outcome is that in emergency situations, less than 10% of post-disaster reconstruction funding is used to build A&R<sup>37</sup>.
4. Lack of standardised definitions also hinder mainstreaming A&R finance across different instruments such as bonds due to low levels of understanding of the characteristics of credible A&R projects and measures.

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<sup>34</sup> [What is climate change adaptation and why is it crucial? | UNDP Climate Promise](#)

<sup>35</sup> [State and Trends in Climate Adaptation Finance 2023](#)

<sup>36</sup> [State and Trends in Climate Adaptation Finance 2023](#)

<sup>37</sup> [State and Trends in Climate Adaptation Finance 2023](#)

5. Labelled bonds have grown very rapidly with \$5.7tn in credible bonds issued globally as of 2024 and nearly 60 credible sovereign issuances<sup>38</sup>. Labelled bonds are used to finance social or sustainable outcomes and can often secure preferential pricing in either the primary or secondary market<sup>39</sup> as investors seek projects to support their environmental, social and governance (ESG) investment mandates. The growth in labelled issuance and ESG mandates are a potential driver for greater private sector involvement in A&R finance. The creation of a globally interoperable resilience taxonomy will support this by reducing transaction costs and increasing understanding of A&R measures.

### Stakeholder analysis:

#### **- Who are the key stakeholders that may be interested in or affected by the project/programme including donors, and what are their main interests, capacity and contributions?**

Primary stakeholder groups:

1. National and sub-national government bodies including Ministry of Finance and key municipalities
  - a. Interests:
    - i. Securing preferential financing to meet national adaptation and finance needs.
    - ii. Maintaining or increasing departmental / regional budget allocations and sphere of influence.
    - iii. Maintaining manageable levels of national and international borrowing and balance of payments.
    - iv. Delivering on national and international political commitments.
    - v. Maintaining or increasing socio-economic and political influence nationally and regionally.
    - vi. Ensuring financial stability and avoiding risk at a macroeconomic level.
    - vii. Maintaining or increasing political power through meeting the needs of stakeholder groups domestically.
  - b. Contributions:
    - i. Access to information on adaptation risk assessments and context specific data for analysis.
    - ii. Adoption and implementation of the resilience taxonomy. Debt issuance aligned with the taxonomy. Project pipeline development for A&R investments.
    - iii. Political capital, networks and support to incorporate workstreams / findings into governmental business and fiscal spending.
    - iv. Legislation and policy frameworks to support behaviour change and prioritisation of green and A&R finance across government and private sector investments.
    - v. Financial regulation and oversight providing a stable structure for domestic and international stakeholders to operate within.
2. Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs) bilateral donors.
  - a. Interests:
    - i. Meeting Paris financing obligations with minimal transaction costs.
    - ii. Increasing private sector financing into A&R.
  - b. Contributions:
    - i. Access to information on adaptation risk assessments and context specific data for analysis.
    - ii. Political capital, networks and support to incorporate workstreams / findings into financing and lending frameworks.

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<sup>38</sup> [Climate-Bonds-Initiative Global-State-of-the-Market-Report\\_May-2025.pdf](#)

<sup>39</sup> [Green bonds: a mechanism for bridging the adaptation gap? | SEI](#)

- iii. Support for legislation and policy frameworks to support mainstreaming A&R finance across financial architecture.
  - iv. Providing capital and (potentially) risk management mechanisms to attract finance to A&R measures and projects.
3. Commercial banks and asset managers
- a. Interests:
    - i. Securing consistent and reliable return on investment aligned with business mandate.
  - b. Contributions:
    - i. Underwriting and issuing debt (banks).
    - ii. Investing in debt (banks and asset managers).
    - iii. Aligning investment frameworks with A&R goals, developing specific A&R investment funds.
4. Non-financial corporates
- a. Interests:
    - i. Securing low-cost capital to maintain and grow profit margins.
    - ii. Meet shareholder demands (dividends, ESG practices) and maintain social license to operate.
    - iii. Meet regulatory requirements and future-proof business practices.
  - b. Contributions:
    - i. Issuing debt, aligning practices with A&R best practice.
5. National and international investors (asset owners)
- a. Interests:
    - i. Securing stable long-term return on investment for clients.
  - b. Contributions:
    - i. Supporting A&R investment mainstreaming, including through supporting political action on A&R.
    - ii. Investing in A&R debt.

**- Who are the most powerful and important stakeholders and what are their main interests, capacity and contributions? Who are likely to hinder the program? What is the gender balance and dynamics within the most important stakeholders? Who stands to gain and who stands to lose from the envisaged project/program?**

The most important and powerful stakeholder grouping are government bodies – particularly the Ministry of Finance - in the partner country as they will be providing the context for success or failure through the development, adoption and implementation of measures that support sustainable debt, including the resilience taxonomy. The treasury department may also be a key stakeholder relating to decisions to issue public debt in the form of a sovereign or municipal bond aligned with the resilience taxonomy.

Other ministries are important in relation to the acceptance and uptake of taxonomy measures and recommendations across their portfolios and policies. As resilience themes cut across all government departments the main challenge is likely to stem from complex coordination between and within government departments (such as treasury, finance, agriculture, urban planning, industry and energy, or transport) that lack capacity to engage fully in a new and complex workstream but whose buy-in is required for long term success.

**- Which stakeholders must in some way be kept informed by the project/programme to ensure their continued support and what are potential engagement strategies?**

Domestic investors, banks, DFIs and government ministries at national and local level are important for the long-term success of the project, buy-in from key stakeholders and institutions within these groups needs to be secured from the outset and maintained throughout.

Country selection criteria will prioritise those countries where Climate Bonds has an existing relationship with key government ministries and stakeholders through previous and ongoing workstreams. The engagement strategy will focus on identifying the key groups or individuals within the different stakeholder groups with decision making power over the development, expansion and uptake of a resilience taxonomy as well as the issuance of related public and private debt. Leveraging existing connections and networks, as well as the support of the Danish MFA, Climate Bonds will explore the short- and long-term priorities of different stakeholders and how these align or oppose the goals and activities of the project. Where the priorities align, the project activities will be mapped onto existing workstreams when possible. Should the priorities oppose or undermine project goals, discussions will be had to determine the best way to move forward by working with different stakeholders or modifying workstreams.

A range of engagement strategies will be deployed based on the identified interests of the stakeholders. USISA will prioritise building a strong local network of champions able to engage and communicate effectively with a diverse group of stakeholders. A core strategy for Climate Bonds when developing definitions for investment sustainability measures is to convene an expert advisory group drawn from academia, civil society, the financial sector and government to develop and 'own' the identified measures. The USISA project will convene these advisory groups to localise and bring context-specific knowledge to the development of the national resilience taxonomy as well as act as champions and channels for reaching and engaging with specific stakeholders. Civil society engagement from local experts in resilience is also essential to ensure that representatives of marginalised voices are at the table, sharing equal weight with other stakeholders.

### 3. Fragility, Conflict and Resilience

#### Conclusions for Project Design

Effective A&R action is critical for reducing vulnerability and addressing some underlying drivers of conflict and forced migration. Climate change can exacerbate economic fragility and conflict through increasing competition for diminishing resources (driven by rising sea temperatures and levels, desertification, flooding) as well as reducing the viability of livelihoods strategies (drought, extreme heat, flooding). People displaced by climate change and environmental degradation are also incredibly vulnerable to further climate extremes as well as losing the option to return home<sup>40</sup>.

However, the partner country for the USISA project will not be a conflict-affected or deeply fragile state. The USISA project is focused on developing and testing financially innovative instruments that depend on well-functioning governmental and financial systems to successfully demonstrate the potential for private sector investments in A&R at scale. Whilst the approach of this specific USISA project is not suitable for conflict-affected states, the tools developed by the project to identify priority A&R measures can be utilised by any actor, including those operating in conflict affected states and will be made freely available for all actors in emerging markets and developing economies.

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<sup>40</sup> [Conflict and Climate | UNFCCC](#)

## 4. Human Rights, Gender, Youth and applying a Human Rights Based Approach

### Conclusions for Project Design

Marginalised groups, including women and girls, are disproportionately affected by climate change. As such, credible A&R at its heart adheres to the concept of leave-no-one-behind (LNOB) and supports the socio-economic growth and wellbeing of marginalised groups. The core of the USISA project is the further development, localisation and testing of the CBRT which is underpinned by the principle of Do No Significant Harm (DNSH) to ensure that all aligned investments and measures significantly contribute to A&R without causing harm to other socio economic and environmental objectives, including gender equality.

The CBRT has been developed to date through a gender balanced Resilience Taxonomy Advisory Group (RTAG) consisting of experts in resilience from international bodies, academia and civil society. The group includes UN Women as a key member, Climate Bonds also has an additional MoU with UN Women to provide mutual support and advice on best practices for developing gender sensitive A&R finance frameworks.

The USISA project will convene local advisory groups to provide expert input from academia and civil society on local resilience needs and measures to complement any measures and strategies codified within national adaptation and climate strategies. A core operating principle for these advisory groups is balanced stakeholder representation and ensuring a space for the voice of marginalised groups to shape the development and direction of the CBRT. This will explicitly include representation and a voice for women and girls within the working groups through relevant civil society bodies.

Country-specific analyses relating to the human rights context will be further developed following confirmation of the partner country.

## 5. Inclusive sustainable growth, climate change and environment

### Conclusions for project design

The USISA project is a targeted climate A&R project, intended to explicitly and fully address climate objectives. USISA will build the tools needed to identify and finance credible A&R activities and measures whilst also supporting the development of credible project pipelines and working to mainstream A&R measures and approaches.

The UN Framework Convention on Climate Change (UNFCCC) Paris Agreement set out commitments for both Greenhouse Gas (GHG) mitigation and increasing adaptation finance in line with the principal of common but differentiated responsibilities (CDR). Whilst public finance has been the principle source of A&R funding, to date it is insufficient to address all A&R needs and does not address the issue of financing activities that lock in maladaptation. To support delivering on Paris Commitment goals, USISA is working to address the dual challenge of scaling A&R finance flows and channelling trillions of dollars in finance and investment away from activities that do not support climate-resilient economies and societies through enabling all investments to be made with an A&R lens. This is critical, for example nearly USD 2.7 trillion is invested in global infrastructure each year<sup>41</sup>; however, without a framework to identify resilient investments or track how investments affect resilience outcomes, these assets and the societies they are intended to support are at risk of maladaptation. In cases where A&R is considered, it is often viewed by financial institutions as a simple risk mitigation exercise, which can lead

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<sup>41</sup> Mullan, M. and N. Ranger (2022), “Climate-resilient finance and investment: Framing paper”, *OECD Environment Working Papers*, No. 196, OECD Publishing, Paris, <https://doi.org/10.1787/223ad3b9-en>.

to a narrow focus on the risks to the immediate investment whilst potentially ignoring the possible impacts of the measures on other actors, such as flood control measures that cause water management issues in other areas.

Ultimately, climate-resilient economies and societies require the trillions of dollars in public and private investments to align with resilient outcomes, whether they are explicitly climate investments or not.

USISA seeks to provide the tools to enable all finance flows to be assessed against and aligned with societal A&R goals, building systemic resilience and avoiding the short-term financial risk management withdrawing capital from the most at-risk communities, undermining resilience or locking-in maladaptation<sup>42</sup>.

The CBRT provides an overarching framework to identify and assess the credibility of A&R measures across seven themes, 27 sectors and over 60 subsectors, providing broad coverage of investment portfolios and opportunities. Central to the CBRT are the principles of minimum social safeguards and do no significant harm, the outcome of which is that the CBRT can be used confidently to identify and align investments and activities without driving maladaptation or undermining broader societal resilience.

The USISA project will build on this foundation by convening national stakeholders to develop locally and nationally relevant A&R thresholds and indicators for the sectoral investments, providing greater granularity. The project will also develop a methodology to enable investments to be assessed against the CBRT to identify those aligned with Paris commitment outcomes. This will be used as a key tool to support and educate the investor community to understand resilience investments and identify opportunities for investment.

## 6. Capacity of public sector, public financial management and corruption

India has a thriving financial sector with well established frameworks and legal measures in place to prevent corruption and drive market development.

Over the last 5 years SEBI (India Market Regulator) has taken the following reforms to increase the efficient functioning of the financial markets:

### Key Themes & Challenges

- **Speed & Settlement Efficiency:** The push to move from T+1 to optional T+0 is part of global competitiveness and market risk reduction.
- **Transparency & Depth in Debt Markets:** Through Electronic Book Provider (EBP) reforms, more private debt issuances come under standardized mechanisms, aiding investor information and market integrity.
- **Sustainable Finance / ESG:** Recognizing the growing importance of ESG, but easing timelines to allow compliance, especially for smaller entities and value chain partners.
- **Encouraging IPOs / Market Access:** The IPO-norm relaxations (e.g. public float, minimum issue size) aim to make capital raising smoother for large firms, reduce deterrents, attract more listings.
- **Aligning with Global Practices:** E.g. standardization of sustainability disclosures; recognizing alternative investment structures.

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<sup>42</sup> Mullan, M. and N. Ranger (2022), “Climate-resilient finance and investment: Framing paper”, *OECD Environment Working Papers*, No. 196, OECD Publishing, Paris, <https://doi.org/10.1787/223ad3b9-en>.

<b>Reform</b>	<b>Purpose / Implications</b>
<b>Same-Day Settlement (T+0) Optional</b>	Aims to reduce settlement risk, improve liquidity, quicker turnover. But needs infrastructure readiness (exchanges, brokers, depositories) and careful risk management. Delays indicate the regulatory caution.
<b>Business Responsibility &amp; Sustainability Reporting (BRSR) / ESG Disclosures</b>	Helps listed companies and their partner entities get time to build capacity, data systems. It reduces immediate compliance burden. Encourages better reporting over time without over-straining smaller players.
<b>Private Debt / EBP Platform Reforms</b>	Improves transparency in debt markets, better price discovery, more standardized documentation. Helps smaller issuances be captured by regulatory oversight.
<b>REITs Classification &amp; REIT / InvIT Reforms</b>	Seeks to boost Real Estate Investment Trust (REITs)/Infrastructure Investment Trust (InvITs) market: improve liquidity, encourage mutual fund participation, align with global practices. Investors get more clarity; sponsors/investors get more flexibility. Potentially greater investments into real estate/infrastructure through market instruments.
<b>IPO / Shareholding Norms for Large Firms</b>	These reduce dilution burden on big issuers, make IPOs more attractive / feasible for large firms, possibly stimulate more listings. But also raise questions of fairness / retail participation vs institutional investors. Relaxation must be balanced with protecting small investors.

## Annex 2: Partner Assessment

### 1. Climate Bonds legal status and board/trustees

Climate Bonds is a company limited by guarantee and a registered charity. The Trustees are also the Directors of the charitable company for the purpose of company law. The Trustees of the company are listed on the website here: [Board of Trustees | Climate Bonds Initiative](#). This means it's a non-profit organization dedicated to mobilizing capital for climate action, with its Trustees also serving as the directors of the company. Climate Bonds doesn't have shareholders and is instead controlled by members (in this case, the Trustees) who guarantee a certain amount of the company's liabilities in case of winding up. As a registered charity, it is also focused on charitable purposes and is subject to oversight by the UK [Charity Commission](#).

### 2. History of Climate Bonds development

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

### 3. Climate Bonds staffing

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

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

### 4. Climate Bonds strategy

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

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

Climate Bonds is currently working to review and update its strategy, incorporating learnings from past programmes and projects as well as assessing opportunities in the market. A draft strategy is expected to be ready for publication during October 2025.

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

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

## **6. Lessons identified**

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

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

- a. The resilience programme has intentionally developed an overarching resilience taxonomy with a standardised global structure to provide a common language whilst providing for the granular development of specific measures, investments, thresholds and metrics at national and local level, guided by national priorities.
3. Analysis-based stakeholder engagement and management is a necessary, long-term element that needs to include all market actors.
  - a. Previous projects did not emphasise the issuer, instead focusing on investors as the main stakeholder. This has been successful in building investor appetite for the tools and frameworks but has not addressed the lack of credible pipeline projects or the appetite of issuers to come to the market. The resilience programme has a large and intentional engagement and support strategy in place, build across the programme and within projects to support issuers to develop and identify pipeline projects.
4. It is necessary to both emphasise risks of inaction as well as define benefits of action, a purely risk-based approach has limited value for all stakeholders.
  - a. Many financial actors have short time horizons where risks may not be felt before the term of the debt. Longer term risks of stranded assets, climate impacts, and market perception do not move the needle on these actors. The benefits of action must be emphasised instead.

## 7. Funding sources:

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

Climate Bonds' fundraising strategy hinges on combining a mixture of funding sources to maximise financial sustainability, including primarily restricted income (philanthropic grants, contracts) and primarily unrestricted income (commercial income from services including certification services, training/technical assistance, data services etc). Currently the balance between restricted and unrestricted is about 60:40, the fundraising strategy intends to reverse this ratio over the coming 3 years to secure a 40:60 ration of restricted to unrestricted. This will be achieved through growing the commercial income revenue streams by broadening and revising our product offering, implementing a tailored sales and marketing strategy and streamlining our offering.

Climate Bonds' primary source of restricted income is grants from philanthropic sources from a range of donors, including Children's Investment Fund Foundation (CIFF), Gordon and Betty Moore

Foundation, Growald Foundation, Herlin Foundation, Laudes Foundation and Tara Foundation amongst others. Climate Bonds has also received a number of ODA grants from the UK Government PACT programme, the latest awarded is a two-year grant (totalling £1m) for work in Brazil on energy and industry decarbonisation. The FCDO of the British Government undertook a capacity assessment of CBI recently with the view to “assess the potential partner’s organisational policies and controls, to flag any risks associated with contracting the organisation, and to guide the management and actions to be put in place for the partner to mitigate any identified risks and gaps in compliance”. Reportedly, no major issues arose from this assessment.

Though no formal capacity assessment was conducted by any of the ODA donors, donors carried extensive due diligence on Climate Bonds ahead of confirming the grant award, with Climate Bonds found compliant in all instances.

Bilateral projects example. Greening the Colombian Financial System: a project funded by UK PACT (Oct 2019- March 2025, total value £1.3m)

Over a period of five years, Climate Bonds worked with local partners to successfully develop Colombia’s Green Taxonomy (TVC)- launched in 2022-, and support its implementation. The project **successfully mobilised resources for the reduction of GHG emissions** (COP 334.7 billion- USD 78.6million approximately). **Seven organisations** (one sub-sovereign, six from the financial sector, and two from the real sector) **are now ready to issue debt instruments** as soon as market conditions become favourable for the fulfilment of their strategic objectives. The project introduced innovation through the **development of debt financial instruments** aimed at mobilising resources, including the creation of the country’s first sustainable Short-Term Deposit (CDT).

#### Climate Bonds Initiative Donors 2025 – 2027 (GBP)

Donor & Project	Status	2025	2026	2027	Total
UK PACT Brazil	Confirmed	250,000	500,000	250,000	1,000,000
Anonymous donor- methane abatement	Confirmed	500,000	448,232		998,232
Anonymous donor- unrestricted	Confirmed	58,268			58,268
ECF/PIE Dim Sum Bond	Confirmed	150,000	171,752		321,752
GCF: Financial flows alignment in Panama & Costa Rica	Confirmed	42,460	42,000		84,460
Yajilarra Foundation – Gas phase out in Japan and Indonesia	Confirmed	256,000	769,000	769,000	1,794,000
Shakti Foundation- India Investor Survey	Confirmed	96,798			96,798
Bloomberg Philanthropies- Taxonomy Interoperability	Confirmed	402,190			402,190
ClimateWorks- China	Confirmed	120,657			120,657
Sequoia Climate Fund India Transition (renewal)	Confirmed	190,940			190,940
World Bank Morocco Taxonomy Development	Confirmed	120,657			120,657
Tara Japan	Confirmed	80,438			80,438
GEF Resilience	Pending		500,000	561,670	1,061,670
Angela Wright Bennett- China	Pending		309,600	309,600	609,600

Bloomberg Philanthropies- Taxonomy & criteria Interoperability	Pending		750,000	750,000	1,500,000
New Venture Fund Agri Food and Critical Minerals	Pending		1,000,000	1,000,000	2,500,000
UNEP- Financial flows alignment in Panama and Costa Rica	Pending	97,505	100,000		197,505
ClimateWorks – China	Pending		120,657		120,657
ClimateWorks – China	Pending			120,657	120,657
CIFF India Transition (renewal)	Pending		250,000	250,000	500,000
TARA - Vietnam Technical Assistance renewal	Pending		80,438		80,438
Qatar taxonomy development	Pending	100,000	600,000	204,379	804,379

Climate Bonds has been a major contributor to the development of the EU Sustainable Finance Taxonomy, which has raised the organisation's profile as a trusted provider of taxonomy services, which has in turn led to a sharp increase in the number of commercial taxonomy contracts, and thus contract income. Climate Bonds has successfully secured contract funding from organisations including IFC, the World Bank, GIZ, UNEP, the Monetary Authority of Singapore and the Australian Sustainable Finance Institute.

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

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

## 8. Climate Bonds MEL system

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

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

For medium/large scale projects, a MEL framework with indicators of success is defined during the inception phase, and relevant data and evidence (means of verification) will be gathered on a regular basis to report against the MEL framework. Having regular evaluation points, including external evaluations

of our work, will allow us to do a deep dive into our specific areas of focus and work, and will enable us to better illuminate and help inform our thinking with new pieces of work.

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

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

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

### Climate Bonds financial management capacity self- assessment

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

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

7.	Budget reallocations are approved by officers responsible for project activities.	Y	
8.	Budget sheets include explanatory notes and clear calculations which ensure transparency in the basis for the budget.	Y	
9.	A separate budget is prepared for core costs (overhead).	Y	
10.	Budget codes/lines match or correspond to accounting codes to allow for tracking actual against expected spending.	Y	
11.	The type and number of budget lines used reflect the organisation and complexity of the organisation.	Y	
12.	A cash flow forecast is prepared every month to allow for monitoring of cash flow for operational costs.	N	Forecasts are prepared quarterly to monitor available reserves.
13.	Budgeting has been reliable and accurate in the past (few or no material budget overruns, reputation for having robust budgeting procedures or the like.	Y	
<b>Accounting</b>			
The purpose of accounting is to provide reliable information about cost and expenditure. This is done through application of a relevant accounting system, accounting policies and standards. Accounting supports both controlling, reporting and auditing of the financial performance of the organisation.			
<i>Basic accounting system</i>			
14.	<u>A standardized electronic/computerized accounting system is in place and used</u>	Y	Xledger
15.	<u>The accounting system can deliver relevant data for reporting purposes, for instance through extracts of raw data to Excel for analysis and reporting.</u>	Y	
16.	<u>The accounting system only allows access for authorized users.</u>	Y	
17.	<u>The accounting system logs all entries.</u>	Y	
18.	<u>The accounting system has a reliable and regular back-up system</u>	Y	
<i>Accounting practices</i>			
19.	<u>Every payment made has supporting documentation providing evidence.</u>	Y	
20.	<u>Original vouchers, original invoices and original signed receipts document all expenditures.</u>	N	Electronic scanned copies are attached in the accounting system
21.	<u>All accounting and supporting documents are retained and kept safe for up to ten years</u>	Y	
22.	<u>All cash received is recorded (preferably in electronic accounting system or alternatively on pre numbered carbon copy receipts) and deposited in Bank OTHERWISE cash or cheques cannot be used.</u>	Y	No petty cash.
23.	<u>All payments and receipts are recorded (in the electronic accounting system or alternatively in cashbooks).</u>	Y	
24.	<u>A standard chart of accounts is used to classify each transaction.</u>	Y	
25.	<u>Transactions are also classified by project or donor using a standard list of cost centers or other accounting system dimensions.</u>	Y	
26.	<u>The funds received from MFA are to be kept in a designated bank account or alternatively the designated ledger account must be established.</u>	Y	
27.	<u>A bank reconciliation is prepared each month for every bank account.</u>	Y	
28.	<u>A cash reconciliation is witnessed by senior staff and recorded each month</u>	Y	No petty cash.

29.	<u>Petty cash records are checked every month, must be checked by a different person than the one who keeps them.</u>	N/A	
30.	<u>The organisation keeps track of amount owed to others and owed by others.</u>	Y	
31.	<u>An accounting manual/policy is used and maintained specifying accounting procedures, roles and segregation of duties.</u>	Y	
32.	<u>Accounting practices follow local legislation or international standards.</u>	Y	
<b>Internal Controls</b>			
The purpose of internal controls is to safeguard assets, make sure that accounting records are accurate and prevent and detect fraud and errors. Essential internal controls include separation of duties, authorization and reconciliation. It can be relevant to include an audit of the internal controls in the audit of the financial statements (this will often be part of the auditor's work to produce an opinion in a financial audit).			
33.	<u>Segregation of duties is implemented and adhered to (segregation of duties means that e.g. money handling duties are separated from the record keeping duties, purchasing duties are separated from payment etc.).</u>	Y	
34.	<u>All fixed assets owned by the organisation are controlled using a fixed assets register stating at least asset tagging code, purchase price, location and book value.</u>	Y	Manual FAR is maintained on excel
35.	<u>Periodic physical inventories of assets or stocks are carried out against fixed asset list or inventories.</u>	Y	Only laptops
36.	<u>There is a written policy detailing who can authorise expenditure of different types or value.</u>	Y	
37.	<u>All transactions are properly authorised by signatures.</u>	Y	
38.	All expenses are properly signed and documented with the application of purpose and participants.	Y	
39.	Assets are sufficiently insured given a cost/benefit evaluation (only applicable for non-governmental partners)	Y	
<i>Cash management</i>			
40.	<u>Cash is kept safely, e.g. in a locked cashbox or a safe, and is in the custody of authorized individuals.</u>	N/A	
41.	<u>All cheques are signed by at least two signatories and no blank cheques are ever signed.</u>	N/A	
42.	<u>Proper controls are built into banking arrangements, e.g. authorization of disbursements and payments, double signatures on checks and transfers, conduct of regular bank reconciliations etc.</u>	Y	
43.	<u>Appropriate controls over management of cash is in place, including limits to the amount of cash held OR no cash is held.</u>	Y	No cash is held
<i>Staff expenses</i>			
44.	<u>Staff and payroll records such as contracts, salary statements, etc. are in place.</u>	Y	
45.	<u>Staff salaries are checked each month by a senior manager.</u>	Y	
46.	<u>Statutory deductions (e.g. payroll taxes) are properly made and paid on time.</u>	Y	
47.	Expenses claims for staff advances are checked by the same person who authorized the advance.	Y	
48.	Time sheets are used to document hours.	N	Unless specifically requested by funder.
<i>Procurement</i>			
49.	<u>A procurement manual covering request, authorization, selection of suppliers, order, receipt and payment when purchasing goods and services is used and maintained.</u>	Y	

50.	<u>Different steps of the procurement process (e.g. order, receipt and payment) are shared among different staff members.</u>	Y	
51.	A description/manual on different methods of procurement and tendering and when these are to be used is in place.	Y	
52.	A code of conduct exists to avoid occurrence or perceptions of conflicts of interest in relation to procurement and tendering.	Y	
<b>Governance and staff</b>			
The financial management of an organisation is supported by governance structures and competent staff. All business and financial processes need to be supported by governance, organisation and skills.			
53.	<u>A written procedure manual covering finance, procurement and HR is in place, used and regularly updated.</u>	Y	
54.	<u>The organisation is financially viable and sustainable.</u>	Y	
55.	<u>Staff roles are clearly defined, and the staff members are aware of their roles and responsibilities and of the organisation's policies and procedures.</u>	Y	
56.	<u>Management is involved in the financial management of the organisation/projects or programmes.</u>	Y	
57.	The partner has adequate policies and procedures in place to guide personnel activities and assure staff accountability.	Y	
58.	All planned operational costs are adequately funded.	Y	
59.	Different roles in the finance function are clearly defined, known and followed.	Y	
60.	The organisation has the necessary registration, authorization and mandate to undertake planned activities.	Y	
61.	An anti-corruption policy including a section on handling and protection of whistleblowers is in place, used, and regularly updated and shared with staff.	Y	Update in progress
<i>Staff Skills</i>			
62.	<u>Key financial positions are held by qualified and competent personnel. Qualifications and competences are documented and match the size and complexity of the organisation.</u>	Y	
63.	<u>The finance staff have the specific skills and qualifications needed to carry out all financial activities. Skills and qualifications are documented and match the size and complexity of the organisation.</u>	Y	
64.	<u>A person with ultimate responsibility for the financial management, including for the MFA grant, is clearly identified and this person has the appropriate skills, experience and qualifications.</u>	Y	
65.	Managers and technical/programme staff have the relevant skills to manage budgets and budget monitoring. This includes training in budgeting and experience with budgeting and monitoring.	Y	
<i>Sub partners</i>			
66.	<u>The organisation has procedures in place to assure transparency and accountability where funds are transferred to sub-partners.</u>	Y	
67.	<u>The organisation has mechanisms for assessing the financial capacity of sub-partners.</u>	Y	
68.	The organisation has previous experience with grants/disbursements to sub-partners.	Y	
<b>Financial reporting</b>			
Management needs continuous financial reporting to oversee the finances of the organisation to monitor and make decisions regarding the activities of the organisation and projects. Proper financial reporting is essential in being able to communicate financial and technical results to management and donors.			

69.	<u>Senior management discuss financial reports at least once every three months.</u>	Y	
70.	<u>Donors and/or management receive financial reports in the right format and on time.</u>	Y	
71.	<u>The organisation meets statutory reporting requirements.</u>	Y	
72.	<u>Financial reports include details on income and expenditure, actuals and budget and deviations between actuals and budget.</u>	Y	
73.	<u>Financial reports are accrued into quarters or less.</u>	Y	
74.	<u>Financial reports include details on cash and bank balances, amounts due and owed.</u>	Y	
75.	Project management discuss financial reports monthly.	Y	
76.	Financial reports show the relevant level of detail according to their use/the need of their intended audience.	Y	
77.	Financial reports include explanations and comments about deviations made by project responsible staff.	Y	
<b>Auditing</b>			
Auditing verifies the accuracy of financial statements and the accounting practices and internal controls of the organisation. Auditing builds trust and transparency.			
78.	<u>The organisation is subject to regular audits.</u>	Y	
79.	A properly registered and independent external auditor/audit firm is selected and used.	Y	
80.	Annual accounts are audited according to appropriate international auditing standards, i.e. IASs and ISSAIs.	Y	
81.	Annual audited accounts are without material misstatements.	Y	
82.	The organisation is deemed a going concern by the auditor.	Y	
83.	Annual audits are up-to-date (signed within six months of the financial year-end).	Y	
84.	The organisation reacts on auditor's reports, comments and recommendations and implements relevant changes.	Y	
85.	Major issues in management letters from the auditor are subsequently followed up and addressed by management.	n/a	No major issues.

## Annex 3: Theory of Change and Result Framework

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

The theory of change is that *if* the Climate Bonds Resilience Taxonomy is further developed globally and tested in one country, and *if* data, analysis and guidance are provided and communicated to the EMDEs accompanied by capacity strengthening of issuers and engagement of green bond stakeholders, *then* there will be an increased understanding of the resilience bond market and an adoption of A&R frameworks at national level that will lead to an increased catalysation of funds directed to climate adaptation and resilience in EMDEs.

The indicators and targets below will be verified in Q4 2025 following baselining and selection and engagement with the pilot country.

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

<b>Project Title</b>	<b>Partnership with Climate Bonds International</b>		
Outcome 1	Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India		
Outcome indicator	a. Number of A&R-related issuers in India b. Volume of A&R-related issuance in India		
Baseline	2025	a	Issuers including A&R in frameworks 4 (total to date), 2 (2024)
		b	USD 8.4bn (total to date), USD 3.3bn (2024)
Target*	2026	a	Issuers including A&R in frameworks 4 (total to date), 2 (2025)
		b	USD 11.4bn (total to date), USD 3.0bn (2025)
Target	2027	a	Issuers including A&R in frameworks 6 (total to date), 4 (2026)
		b	USD 15.4bn (total to date), USD 4.0bn (2026)
Target	2028	a	Issuers including A&R in frameworks 8 (total to date), 6 (2026)
		b	USD 17.4bn (total to date), USD 6.0bn (2026)

\* Targets will be verified during the inception phase through consultation with Indian Stakeholders.

Output 1.1	A national resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT		
Output indicator	Progress towards publishing a national resilience taxonomy in India		
Baseline	2025		National resilience taxonomy unavailable or only partially completed.

Target	2026		Approach to localise the CBRT has been agreed in India
Target	2027		Structure and initial draft of national taxonomy developed for India.
Target	2028		National taxonomy published for consultation in India

Output 1.2	Indian issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders.		
Output indicator	<ul style="list-style-type: none"> <li>a. Issuer club of relevant issuers regularly convened and active.</li> <li>b. Issuer club members report an increased ability to identify and develop credible A&amp;R pipelines for investment.</li> </ul>		
Baseline	2025	a b	No issuer club established in India No or little exchange of information between issuers and investors
Target	2026	a b	Issuer club convened in India Beginning exchange of information between issuers and investors
Target	2027	a b	Issues club active, training and workshops developed on A&R related issues Issuers club co convened with investor working group to build networks across the ecosystem.
Target	2028	a b	Issuers club active with regularly attendance of representative group of issuers from India At least 90% of issuers of issuers club report an increased understanding of credible A&R pipelines

Output 1.3	Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&R project financing.		
Output indicator	<ul style="list-style-type: none"> <li>a. Relevant stakeholders regularly convened in India and active in a working group on adaptation and resilience</li> <li>b. Knowledge products published based on co-creation between working group members in India</li> </ul>		
Baseline	2025	a b	No working group convened 0
Target	2026	a b	TOR for working group developed, stakeholder analysis completed and working group convened 0
Target	2027	a b	Working group active with two meetings and workshops with issuers clubs. Workshops on CBRT and knowledge products for the local taxonomy developed in response to needs
Target	2028	a b	Working group active with one workshop with issuers club. Co-creation and publication of research and learning outputs from the activities of the working group.

Output 1.4	Strengthened capacity of issuers to develop A&R aligned green bond frameworks in India		
Output indicator	Number of issuers supported to develop A&R-aligned green bonds frameworks		
Baseline	2025		0 issuers trained. No TA provided
Target	2026		0 issuers trained. TA framework for supporting issuers to develop A&R-aligned green bonds frameworks developed and agreed.
Target	2027		At least 10 issuers trained in India (Including Munis, States, FIs & Banks)
Target	2028		At least 15 issuers trained in India (Including Munis, States, FIs & Banks)

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

\*Targets will be established following the full baseline analysis in Q1 2026

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

Output 2.2		Adaptation Investment Tracker created for EMDEs. Database of credible A&R related bonds is developed based on existing Climate Bonds GSS+ Database	
Output indicator		Climate Bonds Database includes A&R tags and methodology and is searchable	
Baseline	2025		No database for A&R bonds
Target	2026		Methodology developed and screening started with a focus on EMDEs

Target	2027		Initial database established and freely available for EMDE stakeholders
Target	2028		Database methodology and dataset functional and useful for research and portfolio development with a focus on EMDEs

Output 2.3		Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&R measures in EMDEs.	
Output indicator		<ul style="list-style-type: none"> <li>a. Annually published research that provide useful information on A&amp;R market trends</li> <li>b. Policy market development research and recommendations</li> <li>c. Taxonomy knowledge and guidance products and tools</li> <li>d. Numbers of reports downloaded</li> </ul>	
Baseline	2025		<ul style="list-style-type: none"> <li>a. 0</li> <li>b. 0</li> <li>c. 0</li> <li>a. 0</li> </ul>
Target	2026		<ul style="list-style-type: none"> <li>a. Annual State of the Market (SoTM) research report includes focus on EMDEs A&amp;R bond analysis. Initial dataset used to develop spotlight section on A&amp;R bond and market growth.</li> <li>b. 2 thematic market and policy research briefings published on A&amp;R market growth</li> <li>c. 5 knowledge products for EMDEs developed and disseminated on CBRT and national taxonomy including guidance, tools, sector briefings for market stakeholders.</li> <li>d. 15,000</li> </ul>
Target	2027		<ul style="list-style-type: none"> <li>a. Deep analysis on A&amp;R bond dataset and initial trends used to develop full section on A&amp;R bonds and market growth within global SoTM with a focus on EMDEs</li> <li>b. 2 briefings developed providing policy recommendations for market growth and taxonomy implementation.</li> <li>c. Development of an online platform to increase the accessibility and usability of the CBRT for EMDE stakeholders. 4 additional thematic and sector toolkits developed and available on platform.</li> <li>d. 17,500</li> </ul>
Target	2028		<ul style="list-style-type: none"> <li>a. Full dataset available and used to develop A&amp;R SoTM</li> <li>b. 1 briefing published providing lessons learned and recommendations for overall market development for A&amp;R taxonomy development and implementation.</li> <li>c. All knowledge products and briefings available on online platform.</li> <li>d. 20,000</li> </ul>

Output 2.4		Effective communications and investor engagement campaign - strategic and targeting A&R market growth in EMDEs	
Output indicator		<ul style="list-style-type: none"> <li>a) Number and types of events and convenings held for and focused on A&amp;R</li> <li>b) Number and types of stakeholders participating in those events</li> <li>c) Number and types of events Climate Bonds is invited to as an A&amp;R expert</li> </ul>	
Baseline	2025		<ul style="list-style-type: none"> <li>a. 0</li> <li>b. 0</li> <li>c. TBD</li> </ul>
Target	2026		<ul style="list-style-type: none"> <li>a. 2 conferences (1 global and 1 regional) with A&amp;R focused events</li> </ul>

			<ul style="list-style-type: none"> <li>b. 600 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 5 in person and remote events focused on market stakeholders</li> </ul> <p>Communications and marketing strategy developed.</p>
Target	2027		<ul style="list-style-type: none"> <li>a. 2 conferences (1 global and 1 regional) with A&amp;R focused events</li> <li>b. 700 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 10 in person and remote events focused on market stakeholders</li> </ul>
Target	2028		<ul style="list-style-type: none"> <li>a. 1 conference with A&amp;R focused events</li> <li>b. 200 participants from relevant stakeholder groups including investors, DFIs, government agencies and ministries of finance.</li> <li>c. 7 in person and remote events focused on market stakeholders</li> </ul>

## Annex 4: Risk Management

### Climate Bonds Risk Management Matrix

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Government priorities change	Unlikely	Major	Broaden ecosystem partners	Insignificant	Pilot country selection will be undertaken with a political analysis lens, however over a 3 year project there may be political changes and the impact of the current US administration is being felt widely.
Appetite of market actors	Likely	Major	Build local market	Insignificant	After many years of low interest rates in the debt market, rising rates following COVID have increased the debt distress of many low-income countries. The current increase in import tariffs and protectionism may also affect country's \$ earnings and willingness / ability to repay debt.
Project perception as external	Likely	Minor	Responsive to local needs and ensure aligned with local priorities – demand driven	Insignificant	The work to localise these resilience measures will be based on the priorities defined by national and local actors in their NAPAs and taxonomies.
Increased debt distress	Unlikely	Major	Emphasis on building local currency markets and national investors	Minor	International investors are interested in EMDE markets as they offer high yields. However, international \$ denominated debt increases debt distress risks as repayments can increase significantly
The complex requirements of large ODA funding and reporting need significant operational support	Low – medium	Medium – high	Climate Bonds has experience in managing large complex grants and will leverage our established programme and project governance structure to mitigate risks and streamline data collection and reporting	Low	Donor ODA grant requirements generally have a higher reporting and due diligence burden than philanthropic and institutional donors due to the nature of the funding.

## Annex 5: Budget Details

Note: Exchange rate used is 1.00 GBP to 8.61 DKK

Budget category	Budget line	Total Budget (DKK)	Share of budget	Share of direct cost
A1	OUTPUT 1.1 - Total direct activity cost	8,280,108	16.7%	17.9%
A2	OUTPUT 1.1 - Total direct activities implemented by local independent partners			
A3	OUTPUT 1.1 - Total direct allocated programme-supporting (activity-specific) cost	1,099,007	2.2%	2.4%
	<b>OUTPUT 1.1 - Total direct cost A local resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT</b>	<b>9,379,115</b>	<b>0</b>	<b>0</b>
A1	OUTPUT 1.2 - Total direct activity cost	3,823,925	7.7%	8.3%
A2	OUTPUT 1.2 - Total direct activities implemented by local independent partners			
A3	OUTPUT 1.2 - Total direct allocated programme-supporting (activity-specific) cost	686,111	1.4%	1.5%
	<b>OUTPUT 1.2 - Total direct cost Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders</b>	<b>4,510,036</b>	<b>9.1%</b>	<b>9.7%</b>
A1	OUTPUT 1.3 - Total direct activity cost	4,491,674	9.1%	9.7%
A2	OUTPUT 1.3 - Total direct activities implemented by local independent partners			
A3	OUTPUT 1.3 - Total direct allocated programme-supporting (activity-specific) cost	827,245	1.7%	1.8%
	<b>OUTPUT 1.3 - Total direct cost Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&amp;R project financing.</b>	<b>5,318,918</b>	<b>10.7%</b>	<b>11.5%</b>
A1	OUTPUT 1.4 - Total direct activity cost	2,365,052	4.8%	5.1%
A2	OUTPUT 1.4 - Total direct activities implemented by local independent partners			
A3	OUTPUT 1.4 - Total direct allocated programme-supporting (activity-specific) cost	380,760	0.8%	0.8%
	<b>OUTPUT 1.4 - Total direct cost Strengthened capacity of issuers to develop A&amp;R aligned green bond frameworks in India</b>	<b>2,745,812</b>	<b>5.5%</b>	<b>5.9%</b>
A1	OUTPUT 2.1 - Total direct activity cost	8,652,590	17.5%	18.7%
A2	OUTPUT 2.1 - Total direct activities implemented by local independent partners			
A3	OUTPUT 2.1 - Total direct allocated programme-supporting (activity-specific) cost	1,035,517	2.1%	2.2%
	<b>OUTPUT 2.1 - Total direct cost Global CBRT further developed and freely available for EMDE stakeholders</b>	<b>9,688,107</b>	<b>19.6%</b>	<b>20.9%</b>
A1	OUTPUT 2.2- Total direct activity cost	2,487,178	5.0%	5.4%
A2	OUTPUT 2.2 - Total direct activities implemented by local independent partners			
A3	OUTPUT 2.2 - Total direct allocated programme-supporting (activity-specific) cost	266,324	0.5%	0.6%

	<b>OUTPUT 2.2 - Total direct cost Adaptation Investment Tracker created for EMDEs. Database of credible A&amp;R related bonds is developed based on existing Climate Bonds GSS+ Database</b>	<b>2,753,502</b>	<b>5.6%</b>	<b>6.0%</b>
A1	OUTPUT 2.3 - Total direct activity cost	4,460,619	9.0%	9.6%
A2	OUTPUT 2.3 - Total direct activities implemented by local independent partners			
A3	OUTPUT 2.3 - Total direct allocated programme-supporting (activity-specific) cost	854,587	1.7%	1.8%
	<b>OUTPUT 2.3 - Total direct cost Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&amp;R measures in EMDEs</b>	<b>5,315,206</b>	<b>10.7%</b>	<b>11.5%</b>
A1	OUTPUT 2.4 - Total direct activity cost	5,702,156	11.5%	12.3%
A2	OUTPUT 2.4 - Total direct activities implemented by local independent partners			
A3	OUTPUT 2.4 - Total direct allocated programme-supporting (activity-specific) cost	728,830	1.5%	1.6%
	<b>OUTPUT 2.4 - Total direct cost Effective communications and investor engagement campaign - strategic and targeting A&amp;R market growth in EMDEs</b>	<b>6,430,986</b>	<b>13.0%</b>	<b>13.9%</b>
A7	Audit	120,000	0.2%	0.3%
A	<b>A - Total direct cost: Programme specific activities supporting main outcome of Growth in the number, distribution, volume and diversity of A&amp;R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India and Strengthened A&amp;R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs</b>	<b>46,261,683</b>	<b>93.5%</b>	<b>100.0%</b>
	-----of which is	-		
	----spent directly on activities	40,263,302	81.3%	87.0%
	----spent directly through transfers to local independent partners	-	0.0%	0.0%
	----spent on output-allocated programme supporting cost	5,878,381	11.9%	12.7%
B1	Administration fee (non-activity specific, max 7% of direct costs)	3,238,318	6.5%	7.0%
B	<b>B - Total indirect cost</b>	<b>3,238,318</b>	<b>6.5%</b>	<b>7.0%</b>
	<b>Total budget (A+B)</b>	<b>49,500,001</b>	<b>100.0%</b>	<b>107.0%</b>
	<b>MEL Budget to be retained by MFA</b>	<b>500,000</b>		

Budget category	Budget line	Total Budget (DKK)	2025 -2026 (DKK)	Share of budget (2025 - 2026)	Share of direct cost (2025 - 2026)
A1	OUTPUT 1.1 - Total direct activity cost	8,280,108	3,384,819	22.3%	23.9%
A2	OUTPUT 1.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.1 - Total direct allocated programme-supporting (activity-specific) cost	1,099,007	372,081	2.5%	2.6%
	<b>OUTPUT 1.1 - Total direct cost A local resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT</b>	<b>9,379,115</b>	<b>3,756,901</b>	<b>0</b>	<b>0</b>
A1	OUTPUT 1.2 - Total direct activity cost	3,823,925	1,045,934	6.9%	7.4%
A2	OUTPUT 1.2 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.2 - Total direct allocated programme-supporting (activity-specific) cost	686,111	211,072	1.4%	1.5%
	<b>OUTPUT 1.2 - Total direct cost Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders</b>	<b>4,510,036</b>	<b>1,257,006</b>	<b>0</b>	<b>0</b>
A1	OUTPUT 1.3 - Total direct activity cost	4,491,674	1,346,807	8.9%	9.5%
A2	OUTPUT 1.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.3 - Total direct allocated programme-supporting (activity-specific) cost	827,245	272,472	1.8%	1.9%
	<b>OUTPUT 1.3 - Total direct cost Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&amp;R project financing.</b>	<b>5,318,918</b>	<b>1,619,279</b>	<b>0</b>	<b>0</b>
A1	OUTPUT 1.4 - Total direct activity cost	2,365,052	504,841	3.3%	3.6%
A2	OUTPUT 1.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.4 - Total direct allocated programme-supporting (activity-specific) cost	380,760	108,863	0.7%	0.8%
	<b>OUTPUT 1.4 - Total direct cost Strengthened capacity of issuers to develop A&amp;R aligned green bond frameworks in India</b>	<b>2,745,812</b>	<b>613,704</b>	<b>4%</b>	<b>4%</b>
A1	OUTPUT 2.1 - Total direct activity cost	8,652,590	2,267,909	15.0%	16.0%
A2	OUTPUT 2.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.1 - Total direct allocated programme-supporting (activity-specific) cost	1,035,517	330,393	2.2%	2.3%
	<b>OUTPUT 2.1 - Total direct cost Global CBRT further developed and freely available for EMDE stakeholders</b>	<b>9,688,107</b>	<b>2,598,303</b>	<b>17%</b>	<b>18%</b>
A1	OUTPUT 2.2- Total direct activity cost	2,487,178	751,372	5.0%	5.3%
A2	OUTPUT 2.2 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.2 - Total direct allocated programme-supporting (activity-specific) cost	266,324	98,952	0.7%	0.7%

	<b>OUTPUT 2.2 - Total direct cost Adaptation Investment Tracker created for EMDEs. Database of credible A&amp;R related bonds is developed based on existing Climate Bonds GSS+ Database</b>	<b>2,753,502</b>	<b>850,324</b>	<b>6%</b>	<b>6%</b>
A1	OUTPUT 2.3 - Total direct activity cost	4,460,619	1,206,484	8.0%	8.5%
A2	OUTPUT 2.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.3 - Total direct allocated programme-supporting (activity-specific) cost	854,587	275,779	1.8%	1.9%
	<b>OUTPUT 2.3 - Total direct cost Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&amp;R measures in EMDEs</b>	<b>5,315,206</b>	<b>1,482,263</b>	<b>10%</b>	<b>10%</b>
A1	OUTPUT 2.4 - Total direct activity cost	5,702,156	1,710,485	11.3%	12.1%
A2	OUTPUT 2.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.4 - Total direct allocated programme-supporting (activity-specific) cost	728,830	231,602	1.5%	1.6%
	<b>OUTPUT 2.4 - Total direct cost Effective communications and investor engagement campaign - strategic and targeting A&amp;R market growth in EMDEs</b>	<b>6,430,986</b>	<b>1,942,087</b>	<b>13%</b>	<b>14%</b>
A7	Audit	120,000	40,000	0.3%	0.3%
A	<b>A - Total direct cost: Programme specific activities supporting main outcome of Growth in the number, distribution, volume and diversity of A&amp;R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India and Strengthened A&amp;R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs</b>	<b>46,261,683</b>	<b>14,159,867</b>	<b>48%</b>	<b>51%</b>
	<i>-----of which is</i>	-			
	<i>----spent directly on activities</i>	40,263,302	12,218,653	80.6%	86.3%
	<i>----spent directly through transfers to local independent partners</i>	-	-	0.0%	0.0%
	<i>----spent on output-allocated programme supporting cost</i>	5,878,381	1,901,214	12.5%	13.4%
B1	Administration fee (non-activity specific, max 7% of direct costs)	3,238,318	991,191	6.5%	7.0%
B	<b>B - Total indirect cost</b>	<b>3,238,318</b>	<b>991,191</b>	<b>6.5%</b>	<b>7.0%</b>
	<b>Total budget (A+B)</b>	<b>49,500,001</b>	<b>15,151,057</b>	<b>100.0%</b>	<b>107.0%</b>
	<b>MEL Budget to be retained by MFA</b>	<b>500,000</b>	<b>250,000</b>		

Budget category	Budget line	Total Budget (DKK)	2026 - 27 (DKK)	Share of budget (2026 - 27)	Share of direct cost (2026 - 27)
A1	OUTPUT 1.1 - Total direct activity cost	8,280,108	3,466,561	19.9%	21.3%
A2	OUTPUT 1.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.1 - Total direct allocated programme-supporting (activity-specific) cost	1,099,007	441,577	2.5%	2.7%
	<b>OUTPUT 1.1 - Total direct cost A local resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT</b>	<b>9,379,115</b>	<b>3,908,138</b>		
A1	OUTPUT 1.2 - Total direct activity cost	3,823,925	1,185,212	6.8%	7.3%
A2	OUTPUT 1.2 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.2 - Total direct allocated programme-supporting (activity-specific) cost	686,111	197,461	1.1%	1.2%
	<b>OUTPUT 1.2 - Total direct cost Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders</b>	<b>4,510,036</b>	<b>1,382,672</b>	<b>7.9%</b>	<b>8.5%</b>
A1	OUTPUT 1.3 - Total direct activity cost	4,491,674	1,291,656	7.4%	7.9%
A2	OUTPUT 1.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.3 - Total direct allocated programme-supporting (activity-specific) cost	827,245	220,126	1.3%	1.4%
	<b>OUTPUT 1.3 - Total direct cost Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&amp;R project financing.</b>	<b>5,318,918</b>	<b>1,511,781</b>	<b>8.7%</b>	<b>9.3%</b>
A1	OUTPUT 1.4 - Total direct activity cost	2,365,052	804,200	4.6%	4.9%
A2	OUTPUT 1.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.4 - Total direct allocated programme-supporting (activity-specific) cost	380,760	140,791	0.8%	0.9%
	<b>OUTPUT 1.4 - Total direct cost Strengthened capacity of issuers to develop A&amp;R aligned green bond frameworks in India</b>	<b>2,745,812</b>	<b>944,991</b>	<b>5%</b>	<b>6%</b>
A1	OUTPUT 2.1 - Total direct activity cost	8,652,590	3,155,373	18.1%	19.4%
A2	OUTPUT 2.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.1 - Total direct allocated programme-supporting (activity-specific) cost	1,035,517	378,674	2.2%	2.3%
	<b>OUTPUT 2.1 - Total direct cost Global CBRT further developed and freely available for EMDE stakeholders</b>	<b>9,688,107</b>	<b>3,534,047</b>	<b>20%</b>	<b>22%</b>
A1	OUTPUT 2.2- Total direct activity cost	2,487,178	936,189	5.4%	5.8%
A2	OUTPUT 2.2 - Total direct activities implemented by local independent partners				

A3	OUTPUT 2.2 - Total direct allocated programme-supporting (activity-specific) cost	266,324	102,403	0.6%	0.6%
	<b>OUTPUT 2.2 - Total direct cost Adaptation Investment Tracker created for EMDEs. Database of credible A&amp;R related bonds is developed based on existing Climate Bonds GSS+ Database</b>	<b>2,753,502</b>	<b>1,038,592</b>	<b>6%</b>	<b>6%</b>
A1	OUTPUT 2.3 - Total direct activity cost	4,460,619	1,515,717	8.7%	9.3%
A2	OUTPUT 2.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.3 - Total direct allocated programme-supporting (activity-specific) cost	854,587	284,713	1.6%	1.8%
	<b>OUTPUT 2.3 - Total direct cost Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&amp;R measures in EMDEs</b>	<b>5,315,206</b>	<b>1,800,430</b>	<b>10%</b>	<b>11%</b>
A1	OUTPUT 2.4 - Total direct activity cost	5,702,156	1,829,189	10.5%	11.2%
A2	OUTPUT 2.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.4 - Total direct allocated programme-supporting (activity-specific) cost	728,830	271,399	1.6%	1.7%
	<b>OUTPUT 2.4 - Total direct cost Effective communications and investor engagement campaign - strategic and targeting A&amp;R market growth in EMDEs</b>	<b>6,430,986</b>	<b>2,100,588</b>	<b>12%</b>	<b>13%</b>
A7	Audit	120,000	40,000		
A	<b>A - Total direct cost: Programme specific activities supporting main outcome of Growth in the number, distribution, volume and diversity of A&amp;R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India and Strengthened A&amp;R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs</b>	<b>46,261,683</b>	<b>16,261,239</b>	<b>93%</b>	<b>100%</b>
	-----of which is	-			
	----spent directly on activities	40,263,302	14,184,096	81.5%	87.2%
	----spent directly through transfers to local independent partners	-	-	0.0%	0.0%
	----spent on output-allocated programme supporting cost	5,878,381	2,037,143	11.7%	12.5%
B1	Administration fee (non-activity specific, max 7% of direct costs)	3,238,318	1,138,287	6.5%	7.0%
B	<b>B - Total indirect cost</b>	<b>3,238,318</b>	<b>1,138,287</b>	<b>6.5%</b>	<b>7.0%</b>
	<b>Total budget (A+B)</b>	<b>49,500,001</b>	<b>17,399,526</b>	<b>100.0%</b>	<b>107.0%</b>
	<b>MEL Budget to be retained by MFA</b>	<b>500,000</b>			

Budget category	Budget line	Total Budget (DKK)	2027 - 28 (DKK)	Share of budget (2027 - 28)	Share of direct cost (2027 - 28)
A1	OUTPUT 1.1 - Total direct activity cost	8,280,108	1,428,728	8.4%	9.0%
A2	OUTPUT 1.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.1 - Total direct allocated programme-supporting (activity-specific) cost	1,099,007	285,350	1.7%	1.8%
	<b>OUTPUT 1.1 - Total direct cost A local resilience taxonomy developed in partnership with local stakeholders and aligned to the global CBRT</b>	<b>9,379,115</b>	<b>1,714,077</b>		
A1	OUTPUT 1.2 - Total direct activity cost	3,823,925	1,592,779	9.4%	10.1%
A2	OUTPUT 1.2 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.2 - Total direct allocated programme-supporting (activity-specific) cost	686,111	277,579	1.6%	1.8%
	<b>OUTPUT 1.2 - Total direct cost Pilot country issuers, including sovereign, quasi-sovereign, and national development banks engage and exchange knowledge with the ecosystem of financial stakeholders</b>	<b>4,510,036</b>	<b>1,870,358</b>	<b>11.0%</b>	<b>11.8%</b>
A1	OUTPUT 1.3 - Total direct activity cost	4,491,674	1,853,211	10.9%	11.7%
A2	OUTPUT 1.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.3 - Total direct allocated programme-supporting (activity-specific) cost	827,245	334,647	2.0%	2.1%
	<b>OUTPUT 1.3 - Total direct cost Collaboration and knowledge exchange enhanced in India between issuers, investors, technical specialists and other stakeholders providing support across the lifecycle of A&amp;R project financing.</b>	<b>5,318,918</b>	<b>2,187,858</b>	<b>12.9%</b>	<b>13.8%</b>
A1	OUTPUT 1.4 - Total direct activity cost	2,365,052	1,056,011	6.2%	6.7%
A2	OUTPUT 1.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 1.4 - Total direct allocated programme-supporting (activity-specific) cost	380,760	131,106	0.8%	0.8%
	<b>OUTPUT 1.4 - Total direct cost Strengthened capacity of issuers to develop A&amp;R aligned green bond frameworks in India</b>	<b>2,745,812</b>	<b>1,187,117</b>	<b>7%</b>	<b>7%</b>
A1	OUTPUT 2.1 - Total direct activity cost	8,652,590	3,229,307	19.1%	20.4%
A2	OUTPUT 2.1 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.1 - Total direct allocated programme-supporting (activity-specific) cost	1,035,517	326,450	1.9%	2.1%
	<b>OUTPUT 2.1 - Total direct cost Global CBRT further developed and freely available for EMDE stakeholders</b>	<b>9,688,107</b>	<b>3,555,757</b>	<b>21%</b>	<b>22%</b>
A1	OUTPUT 2.2- Total direct activity cost	2,487,178	799,616	4.7%	5.0%
A2	OUTPUT 2.2 - Total direct activities implemented by local independent partners				

A3	OUTPUT 2.2 - Total direct allocated programme-supporting (activity-specific) cost	266,324	64,970	0.4%	0.4%
	<b>OUTPUT 2.2 - Total direct cost Adaptation Investment Tracker created for EMDEs. Database of credible A&amp;R related bonds is developed based on existing Climate Bonds GSS+ Database</b>	<b>2,753,502</b>	<b>864,586</b>	<b>5%</b>	<b>5%</b>
A1	OUTPUT 2.3 - Total direct activity cost	4,460,619	1,738,418	10.3%	11.0%
A2	OUTPUT 2.3 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.3 - Total direct allocated programme-supporting (activity-specific) cost	854,587	294,095	1.7%	1.9%
	<b>OUTPUT 2.3 - Total direct cost Development, publication and use of market and policy research to inform and engage with public and private sector stakeholders. Taxonomy-specific knowledge products to support understanding and uptake of A&amp;R measures in EMDEs</b>	<b>5,315,206</b>	<b>2,032,513</b>	<b>12%</b>	<b>13%</b>
A1	OUTPUT 2.4 - Total direct activity cost	5,702,156	2,162,482	12.8%	13.7%
A2	OUTPUT 2.4 - Total direct activities implemented by local independent partners				
A3	OUTPUT 2.4 - Total direct allocated programme-supporting (activity-specific) cost	728,830	225,829	1.3%	1.4%
	<b>OUTPUT 2.4 - Total direct cost Effective communications and investor engagement campaign - strategic and targeting A&amp;R market growth in EMDEs</b>	<b>6,430,986</b>	<b>2,388,311</b>	<b>14%</b>	<b>15%</b>
A7	Audit	120,000	40,000		
A	A - Total direct cost: Programme specific activities supporting main outcome of Growth in the number, distribution, volume and diversity of A&R - related issuers and issuance demonstrating growing market maturity, through adoption/uptake of tools by targeted market and governmental stakeholder in India and Strengthened A&R debt market in EMDEs through stakeholders having an understanding of the size and shape of the resilience bond market and supportive policy frameworks with a focus on EMDEs	46,261,683	15,840,577	93%	100%
	-----of which is	-			
	----spent directly on activities	40,263,302	13,860,553	81.8%	87.5%
	----spent directly through transfers to local independent partners	-	-	0.0%	0.0%
	----spent on output-allocated programme supporting cost	5,878,381	1,940,024	11.4%	12.2%
B1	Administration fee (non-activity specific, max 7% of direct costs)	3,238,318	1,108,840	6.5%	7.0%
<b>B</b>	<b>B - Total indirect cost</b>	<b>3,238,318</b>	<b>1,108,840</b>	<b>6.5%</b>	<b>7.0%</b>
	<b>Total budget (A+B)</b>	<b>49,500,001</b>	<b>16,949,417</b>	<b>100.0%</b>	<b>107.0%</b>
	MEL Budget to be retained by MFA	500,000	250,000		

## Annex 6: List of Supplementary Materials

CBI, 2019: *Climate Resilience Principles*. A framework for assessing climate resilience investments. Climate Bonds Initiative, 2019.

CBI, 2022: *Mobilising Capital for Climate Action*. Climate Bonds Initiative, November 2022.

CBI, 2024: *Climate Bonds Resilience Taxonomy Methodology*. Climate Bonds Initiative, 2024.

CIC, 2023: *Recommendations on Nordic Pension Fund Investments in Emerging Markets and Developing Economies*. Climate Investment Coalition, 2023.

GCA, 2021: *Green Bonds for Climate Resilience – State of Play and Roadmap to Scale*. Global Center on Adaptation, 2021.

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

MOFPED, 2025: *National Green Taxonomy of the Republic of Uganda*, Final draft. Ministry of Finance, Planning and Economic Development, Uganda, March 2025.

UNDRR (2023). *Designing a climate resilience classification framework to facilitate investment in climate resilience through capital markets*. UNDRR: Geneva, Switzerland.

## Annex 7: Plan for Communication of Results

### Context

Over the past decade, the mobilisation of private capital for climate action has grown significantly. However, the majority of these financial flows have been directed toward climate mitigation, while investment in climate adaptation remains considerably underfunded. According to the Climate Policy Initiative (2021), annual finance for climate resilience—also known as adaptation finance—amounts to just USD 46 billion, compared to a total reported climate finance flow of USD 632 billion per year. Notably, almost all adaptation finance is provided by the international public sector, particularly development finance institutions, with private sector contributions accounting for less than USD 1 billion annually.

In response to this gap, the United Nations Secretary-General has called on all countries and development finance institutions to increase adaptation finance to represent at least 50% of total climate finance.

This communications and marketing plan will support the project’s objective of advancing the green bonds market for climate adaptation and resilience. It will do so by promoting science-based definitions of eligible adaptation and resilience activities tailored to the needs of emerging markets and developing economies (EMDEs). Additionally, the project aims to foster a shared understanding of climate resilience among key stakeholders, while also building the capacity necessary to develop scalable, investment-ready adaptation project pipelines. Ultimately, these efforts will empower more countries to issue green bonds and attract private capital to finance climate adaptation initiatives in developing regions.

### Project Objective

Objective
Increase debt capital market investments in national adaptation priorities of emerging markets and development economies (EMDEs), bolster resilience funding and create a replicable model that boosts local market growth by catalysing finance in EMDEs referencing credible resilience frameworks, including Climate Bonds’ Resilience Taxonomy (CBRT) and national taxonomies.

### Communications & Marketing Objectives

Objective	Activities
<b>Raise Awareness of Adaptation Investment Opportunities in EMDEs</b> by promoting the strategic importance of channeling debt capital market investments toward national adaptation priorities in emerging markets and developing economies and communicating the risks of inaction and the benefits of climate resilience to investors, policymakers, and stakeholders.	Messaging document on returns, risk mitigation, and co-benefits of adaptation finance. Investor-Focused Webinar Series Social media campaign focused on building momentum around resilience-linked investments. Adaptation Investment Fact Sheet focused on priority sectors.

	Communications package for use by development banks, ministries of finance, and regional partners (with templated social media posts, email blasts, and slide decks to amplify project messages through partner channels).
<b>Build Credibility and Alignment Around Resilience Frameworks</b> by positioning the Climate Bonds Resilience Taxonomy and national taxonomies as a tool in science-based adaptation finance to define and validate eligible adaptation and resilience investments.	Elaboration of a set of short, accessible PDFs explaining the structure, purpose, and application of the CBRT to be used in strategic engagements, events and social media. Media Training for Climate Bonds spokespeople and FAQ document for press engagement. A curated set of early-use or pilot cases showing how adaptation investments were structured or validated by national taxonomy criteria. Series of podcast with technical leads, taxonomy designers, and early adopters focused on use cases, challenges, and the importance of standardisation.
<b>Showcase Scalable Models to Attract and Replicate Private Investment</b> by highlight successful case studies and pilot initiatives to demonstrate how locally tailored, finance-ready adaptation pipelines can unlock new market growth, catalyse private sector engagement, and provide a replicable model for other EMDEs.	Live event (in-person or hybrid) during global climate convenings (e.g. COP, Climate Weeks) featuring project leads, local officials, and investors from pilot country. Ready-to-use press releases, media fact sheets, and expert quotes, simple visuals and graphics for local and global media outlets.

## Audiences

This communications plan will target pilot country’s key audiences to effectively amplify the project's core messages. By tailoring engagement tactics for each audience group, we aim to enhance awareness, foster collaboration, and drive impactful action towards the project’s objectives. The core target audiences include:

### Primary Audiences

**Investors:** by positioning adaptation finance as a risk-mitigation strategy and emerging opportunity for portfolio diversification. Activities may include investor briefings featuring successful EMDE projects aligned with resilience criteria, short video explainers and infographics to demystify adaptation taxonomies and bond labelling.

**Financial Institutions:** by sharing insights on emerging trends in adaptation finance and demonstrating the bankability of resilience investments. Activities may include publication of case studies and investment briefs on successful green bond issuances aligned with resilience frameworks, newsletter or LinkedIn series spotlighting institutional innovations in adaptation finance, use of trade media to amplify leadership in sustainable finance.

**Policymakers (Government Ministries and Departments):** by demonstrating how science-based taxonomies can support national climate strategies and unlock private finance. Activities may include policy briefs and toolkits linking taxonomy frameworks (CBRT and national) to NDC implementation, support in closed-door policy dialogues and workshops with regulators and ministries of finance.

**Issuers:** by equipping them with the tools, capacity, and validation needed to structure credible adaptation bonds. Activities may include promotion of guidance documents and checklists on applying resilience taxonomies to bond frameworks, technical assistance webinars and training programs on project identification and pipeline

development, co-author success stories showcasing issuers from EMDEs who accessed private capital for adaptation.

## Secondary Audiences

**Influencers:** by positioning the Climate Bonds Resilience Taxonomy and National Taxonomies as a timely, newsworthy contribution to the global climate finance landscape. Activities may include development of a compelling media narrative linking adaptation finance to urgent climate impacts in EMDEs, pitch exclusive stories and op-eds to top-tier outlets (e.g., *Financial Times*, *Reuters*, *Bloomberg Green*), press kit with expert quotes, project photos, and ready-to-use background info, engagement with climate and finance journalists with one-on-one briefings and interviews with assigned spokespeople.

**Civil Society:** by demonstrating how adaptation finance directly benefits communities and promotes climate justice. Activities may include accessible materials (e.g., story-based explainers, local language infographics, short videos) illustrating the social impact of resilience investments, participation in inclusive dialogues, listening sessions, or town halls to understand local financing needs and co-create advocacy messages, collaboration with youth and environmental networks to disseminate messages on social media using relatable, human-centered narratives.

## Key Messages

The communications team is currently developing key messages based on the four foundational principles outlined below. This plan will soon be expanded into a comprehensive messaging strategy, incorporating more tailored content and audience segmentation aligned with the selected pilot country.

### **Finance alignment must include adaptation—not just mitigation—to meet the Paris Agreement goals.**

Article 2.1(c) and Article 7 of the Paris Agreement emphasise aligning finance flows with climate-resilient development. True alignment goes beyond managing institutional risk; it requires a broader, long-term perspective that ensures capital supports the adaptive capacity of societies. Without intentional alignment to adaptation, finance strategies risk excluding the most vulnerable communities and contributing to maladaptation.

**Climate adaptation is critically underfunded, despite growing climate risks.** While private capital mobilisation for climate action has surged over the past decade, the vast majority has focused on mitigation. Adaptation—essential for protecting communities and economies from climate impacts—receives only a fraction of total climate finance, with less than USD 1 billion annually coming from the private sector.

**We must close the adaptation finance gap by unlocking private investment.** The United Nations has called for adaptation finance to represent 50% of all climate finance flows. Meeting this target will require urgent action to attract private capital by creating investment-ready pipelines and promoting science-based frameworks to validate adaptation and resilience investments—especially in emerging markets and developing economies (EMDEs).

**Science-based definitions and resilient green bond markets can drive scalable impact.** By promoting credible resilience taxonomies and building local capacity, this initiative supports the growth of adaptation-focused green bonds in EMDEs. These efforts will catalyse new financing opportunities, strengthen climate resilience, and provide replicable models to guide global adaptation investment strategies.

**Resilience must be mainstreamed across all investments** — not confined to standalone 'resilience projects,' but embedded in every lending and investment decision to ensure they are suited to a climate-altered future and do not compromise the resilience of others. The Climate Bonds Resilience Taxonomy supports this by applying a broader societal lens to identify investments and measures that strengthen — rather than undermine — collective resilience.

#### Channels & Tactics

Channels	Activities
<b>Email newsletters</b>	To distribute highly targeted information direct to key segmented audiences. Plus direct mailing/ marketing.
<b>Social media</b>	To share updates, infographics, and videos across multiple platforms. Paid content as part of marketing plan.
<b>Podcasts and OpEds</b>	To discuss and raise awareness on adaptation, case studies, latest data.
<b>Infographics and videos</b>	To simplify complex information.
<b>Case studies</b>	To highlight successful projects to inspire and inform stakeholders.
<b>Global and regional Media</b>	To announce key milestones, reports, and events via press releases, interviews and Op-Eds.
<b>Global and regional events</b>	To ensure representation and speaking opportunities at major conferences across the globe.

#### Timeline

A specific timeline of deliverables will be added to this plan once we have a detailed list of activities. Communications outputs may be adjusted in response to discussions with partners and evolving external circumstances.

#### Monitoring and Evaluation

Communications activities will be monitored and evaluated on a quarterly basis and reported to the donor. The evaluation will track key performance metrics aligned with strategic objectives, drawing on data sources such as media monitoring, digital analytics, surveys, and stakeholder feedback. Progress will be regularly assessed against defined KPIs to identify successes, gaps, and areas for improvement. Insights will be used to refine and adjust the strategy, ensuring continuous optimisation in future phases.

## Annex 8: Process Action Plan

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

## Annex 10: Analysis of Pilot Country

**India:** India is recognised as vulnerable to climate change impacts, ranked 105th out of 182 countries in the 2022 ND-GAIN Index<sup>43</sup>. Both temperature and precipitation are projected to increase significantly under the representative concentration pathways published by the IPCC. Under the RCP4.5 scenario, India's average temperature is expected to increase by 3.27 degrees by 2099 (higher than the global average of 2.62) whilst under RCP8.5 this increase is estimated to be 5.33 by 2099 (compared with 4.31 for the global average).<sup>44</sup>

Climate change is projected to increase the hazards created by more intense storms, heat waves, landslides, water scarcity and flooding<sup>45</sup> in India which create significant risks for critical sectors, particularly infrastructure and agriculture. Approximately 43% of the population is dependent on agriculture as their main employment source, a sector extremely vulnerable to changes in temperature and extreme weather events.<sup>46</sup> As climate change impacts the stability of agriculture livelihoods, the ongoing shift away from agriculture and growing rural to urban migration will likely increase, placing additional pressures on urban infrastructure.<sup>47</sup> Proactive planning for and financing of resilience and adaptation measures is critical to ensure the likely impacts are identified and mitigated as far as possible.

**Extremes and hazards:** Heavy precipitation extremes have intensified: over central India, the frequency of daily rainfall >150 mm increased by ~75% during 1950–2015, alongside a shift toward more frequent dry spells and more intense wet spells within the monsoon. Heat waves already pose major health risks. During the 2015 heatwave, more than 2,500 deaths were recorded; heat index risk is flagged as particularly severe for southern India. Coastal hazards are also rising. Sea level along the Indian coast has risen historically (~1.06–1.75 mm/yr, 1874–2004) and accelerated to ~3.3 mm/yr in 1993–2017; India's long, low-lying, densely populated coastline and large deltas (e.g., Ganges-Brahmaputra-Meghna, Mahanadi, Krishna, Godavari, Brahmani) are highly exposed to storm surge and erosion. Without adaptation, climate change is expected to increase the number of people affected by extreme river floods by ~13–34 million by the 2040s; mid-2030s/2040s analyses indicate additional flood exposure concentrated in Bihar (~7.5 million newly affected) and Uttar Pradesh (~3.8 million), among others. For sea-level rise, projections indicate a steric rise of ~300 mm over the North Indian Ocean by late century under RCP4.5 (relative to 1986–2005), compounding storm surge impacts. Without adaptation, ~5–18 million people per year could be exposed to coastal flooding in the 2070–2100 period, depending on the pathway.<sup>[25]</sup>

**Agriculture and rural livelihoods:** Rising temperatures, more frequent heat extremes, and shifts in rainfall intensity threaten staple crop yields and farm incomes; the profile notes a negative outlook for key cereals without major adaptation and crop range shifts. Labor productivity losses in peak months are expected to grow with heat stress (global evidence suggests up to ~20% losses by the 2050s under high emissions, with strong relevance for India's outdoor workforce). These factors together heighten food security risks. <sup>[26]</sup>

**Water resources:** Compounded pressures arise from increased precipitation extremes, glacier loss, and already high seasonal water scarcity (an estimated ~180 million people experience chronic/severe water scarcity at any given time). Irrigation accounts for ~83% of national freshwater use, underscoring the sensitivity of agricultural production to climate variability. <sup>[27]</sup>

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<sup>43</sup> <https://gain-new.crc.nd.edu/country/india>

<sup>44</sup> [https://climateknowledgeportal.worldbank.org/sites/default/files/country-profiles/15503-WB\\_India%20Country%20Profile-WEB.pdf](https://climateknowledgeportal.worldbank.org/sites/default/files/country-profiles/15503-WB_India%20Country%20Profile-WEB.pdf)

<sup>45</sup> [Think Hazard - India](#)

<sup>46</sup> <https://climateknowledgeportal.worldbank.org/country/india>

<sup>47</sup> Chetan Choithani, Robbin Jan van Duijne, Jan Nijman, Changing livelihoods at India's rural–urban transition, World Development, Volume 146, 2021, 105617, <https://doi.org/10.1016/j.worlddev.2021.105617>

**Coasts, fisheries and tourism:** Sea-level rise and cyclones threaten ports, roads, housing and coastal ecosystems; salinization of aquifers and soils affects agriculture and water supply. Modelling indicates potential declines in marine fish catch of roughly 10–17% by 2050, with implications for coastal livelihoods and nutrition. <sup>[28]</sup>

#### 1.2.4 Vulnerable regions and groups

**Vulnerable regions:** India's geography exposes different regions to distinct climate hazards. In the Indo-Gangetic Basin, where fertile floodplains support intensive agriculture and dense rural populations, flooding remains a recurrent challenge. States such as Bihar and Uttar Pradesh face particularly high risks, and the number of people affected by floods is projected to rise significantly by the 2030s–2040s without effective adaptation. Along the coasts, both the Bay of Bengal and the Arabian Sea are hotspots of vulnerability. In West Bengal and Odisha, as well as Andhra Pradesh and Tamil Nadu further south, low-lying deltas lie less than two metres above sea level, leaving them exposed to storm surges, saline intrusion and increasingly intense cyclonic events. On the western coast, Gujarat, Maharashtra and Kerala face similar threats from coastal erosion, sea-level rise and flooding of critical infrastructure. Semi-arid and drought-prone regions also represent major climate hotspots. Around one-third of India's land area is classified as chronically drought-prone, with another third experiencing periodic drought exposure. States such as Rajasthan, Gujarat, Maharashtra and Telangana are likely to see longer and more severe dry spells, undermining agricultural productivity and increasing competition for scarce water. In the Himalayan region, accelerating glacier retreat combines with more extreme precipitation to threaten both upstream and downstream communities. Glacial melt increases the risk of glacial lake outburst floods and downstream inundation, while long-term water supply for agriculture and hydropower becomes increasingly uncertain. <sup>[29]</sup>

**Vulnerable groups:** Climate change impacts in India fall disproportionately on those least able to cope with them. Rural and urban poor, smallholder farmers and landless labourers are on the frontlines of climate risks, as even small shocks to harvests or wages translate into severe livelihood insecurity. In the floodplains of the Ganges and Brahmaputra, farming families and informal urban settlements are highly exposed to inundation and the economic losses that follow. Along the coastlines, fisher communities face unique vulnerabilities as rising seas erode fishing grounds, saline intrusion damages freshwater sources, and cyclones destroy homes and assets. In semi-arid regions, outdoor agricultural workers and low-wage labourers face compounding risks from drought, water scarcity and extreme heat, with health and productivity increasingly compromised. Women, children, the elderly and persons with disabilities bear an additional burden, as social inequalities, caregiving responsibilities and limited access to resources heighten sensitivity to climate stress. Low-income households in urban areas—particularly those in informal settlements located on floodplains or heat-prone zones—face the dual challenge of unsafe housing and inadequate access to basic services. <sup>[30]</sup>

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

## Opportunity Analysis

1. India has recently published an initial draft of their first national taxonomy
2. There is USD55Bn in outstanding credible (aligned with our database) labelled bonds, the 4<sup>th</sup> largest EM labelled bond market after China, South Korea and Chile.
3. Climate Bonds has an existing network with government, central bank and investors in India and a well established team working on the ground.
4. There are linked and supportive resilience initiatives working in India such as the Global Adaptation and Resilience Investment Group (GARI)

## Policy baseline

The project will align with and build upon existing policies, strategies, and regulatory frameworks, ensuring complementarity rather than duplication of efforts at both the global level and within the national contexts of India and Cambodia. By leveraging established priorities and instruments, the project will reinforce ongoing initiatives while filling critical gaps to accelerate adaptation finance. Table 1 below provides a non-exhaustive list of relevant policies and frameworks that the project will draw from and contribute to.

Document Name	Year issued	Short Description of Document	Sources / Weblinks
<b>India</b>			
India Updated First Nationally Determined Contribution	2022	India's Updated First Nationally Determined Contribution (NDC), submitted to the UNFCCC in August 2022, reaffirms the country's commitment to the Paris Agreement. It builds on the original 2015 Intended NDC and outlines India's climate targets for 2021-2030. Key elements include promoting a healthy and sustainable lifestyle rooted in traditions and values of conservation and moderation through the 'LIFE' (Lifestyle for Environment) mass movement..	<a href="#">India Updated First Nationally Determined Contribution   UNFCCC</a>
National Action Plan on Climate Change	2008	India's National Action Plan on Climate Change (NAPCC), launched in 2008, is a comprehensive government program aimed at addressing climate change through both mitigation and adaptation measures while supporting sustainable development. The plan was developed under the guidance of the Prime Minister's Council on Climate Change and outlines eight core national missions.	<a href="#">Inner 01-54-C 7.6.08</a>
Framework of India's Climate Finance Taxonomy	2013	India's Climate Finance Taxonomy framework, currently in draft form as of 2025, is a structured effort led by the Ministry of Finance's Department of Economic Affairs to guide investments towards climate-friendly and sustainable projects. The framework aims to channel capital to activities aligned with India's Net Zero emissions target by 2070 and its updated climate commitments under the Nationally Determined Contributions (NDCs). It provides a clear and common classification of climate-aligned financial activities to prevent greenwashing and enhance transparency.	<a href="https://static.pib.gov.in/WriteReadData/specifcdocs/documents/2025/may/doc202557551101.pdf">https://static.pib.gov.in/WriteReadData/specifcdocs/documents/2025/may/doc202557551101.pdf</a>
Long-Term Low Emission Development Strategy (LT-LEDS)	2022	India's Long-Term Low Emission Development Strategy (LT-LEDS), submitted to the UNFCCC during COP27 in November 2022, outlines a comprehensive roadmap for India's transition to a low-carbon economy that balances development goals with climate action. The strategy is grounded in the principles of climate justice, equity, and common but differentiated responsibilities. It focuses on minimizing India's carbon footprint while fostering sustainable economic growth and improving quality of life.	<a href="https://unfccc.int/sites/default/files/resource/India_LTLEDS.pdf">https://unfccc.int/sites/default/files/resource/India_LTLEDS.pdf</a>

Energy Conservation (Amendment) Act, 2022	2022	The Energy Conservation (Amendment) Act, 2022, is a significant update to India's Energy Conservation Act, 2001, aimed at advancing energy efficiency and accelerating the transition to cleaner energy sources.	<a href="https://powermin.gov.in/sites/default/files/webform/notices/The_Energy_Conservation_Amendment_Act_2022.pdf">https://powermin.gov.in/sites/default/files/webform/notices/The_Energy_Conservation_Amendment_Act_2022.pdf</a>
The National Mission on Sustainable Agriculture (NMSA)	2024	The National Mission on Sustainable Agriculture (NMSA) is one of the eight core missions under India's National Action Plan on Climate Change (NAPCC), launched to promote sustainable agriculture that is productive, remunerative, and resilient to climate change.	<a href="#">How the National Mission for Sustainable Agriculture is Shaping the Future</a>
National Mission for Enhanced Energy Efficiency (NMEEE)	2011	Established under the NAPCC, NMEEE (initiated 2011) focuses on promoting energy efficiency across sectors through market-based mechanisms. Its four key pillars are: Perform, Achieve and Trade (PAT) for energy-intensive industries; Market Transformation for Energy Efficiency (MTEE); Energy Efficiency Financing Platform (EEFP); and Framework for Energy Efficient Economic Development (FEEED). Together, these instruments aim to reduce energy consumption, facilitate access to finance for efficiency projects, and foster sustainable business models that encourage long-term energy savings.	<a href="https://ppda.mw/documents/MSME-Order_2020.pdf">https://ppda.mw/documents/MSME-Order_2020.pdf</a> <a href="https://beeindia.gov.in/en/programmes/nmeee">https://beeindia.gov.in/en/programmes/nmeee</a>
National Mission on Sustainable Habitat (NMSH)	2021	This mission under the NAPCC promotes urban climate resilience through energy-efficient urban planning, building norms, and waste management. It includes extending the Energy Conservation Building Code, improving public transport, urban recycling, waste-to-energy technologies, and low-carbon policies in cities. The goal is to reduce greenhouse gas emissions from urban areas while enhancing the quality of life and adaptability of cities to climate risks.	<a href="https://www.finance.gov.mw/index.php/our-documents/policies?download=363:national-strategy-for-financial-inclusion-iii">https://www.finance.gov.mw/index.php/our-documents/policies?download=363:national-strategy-for-financial-inclusion-iii</a> <a href="https://mohua.gov.in/upload/uploads/files/files/NMSH-2021.pdf">https://mohua.gov.in/upload/uploads/files/files/NMSH-2021.pdf</a>
National Mission for a Green India (Green India Mission, GIM)	2014	The National Mission for a Green India (Green India Mission, GIM) is one of the eight national missions under India's National Action Plan on Climate Change (NAPCC). Launched in 2014, its core aim is to protect, restore, and enhance India's forest and tree cover to respond to climate change through a combination of adaptation and mitigation measures.	<a href="https://npc.mw/wp-content/uploads/2020/07/industry.pdf">https://npc.mw/wp-content/uploads/2020/07/industry.pdf</a> <a href="https://moef.gov.in/uploads/2017/08/Revised%20Mission%20Document.pdf">https://moef.gov.in/uploads/2017/08/Revised%20Mission%20Document.pdf</a>
	2010	The National Mission on Strategic Knowledge for Climate Change (NMSKCC) is one of the eight missions under India's National Action Plan on Climate Change (NAPCC). Coordinated by the Department of Science & Technology,	<a href="https://www.urbanagendaplatform.org/sites/default/files/2022-03/NES">https://www.urbanagendaplatform.org/sites/default/files/2022-03/NES</a>

National Mission on Strategic Knowledge for Climate Change (NMSKCC)		NMSKCC aims to build human and institutional scientific and technological capacity related to climate change and to develop strategic knowledge for climate adaptation and mitigation.	<a href="https://dst.gov.in/sites/default/files/NMSKCC_mission%20document%201.pdf">II Main Document 0.pdf</a> <a href="https://dst.gov.in/sites/default/files/NMSKCC_mission%20document%201.pdf">https://dst.gov.in/sites/default/files/NMSKCC_mission%20document%201.pdf</a>
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## Barrier Analysis

1. **Limited knowledge, understanding and awareness of key stakeholders of A&R tools and definitions to identify A&R projects.** In India, analysis of adaptation and adaptation finance<sup>48</sup> has found that approaches to urban and infrastructure adaptation is mostly reactive, focussed on disaster relief rather than risk identification and resilience building and has a high failure rate due to unsuitable project choices and poor planning. Whilst there is an urgent need to increase financing for A&R, it is critical that investments avoid maladaptation, wasting time and resources.
2. States hold the primary responsibility for adaptation-related interventions. A recently published report by the Climate Policy Initiative identifies that collective annual investment needs of six states alone amount to INR 444.7 billion (USD 5.5 billion) from 2021 to 2030<sup>49</sup>. However, at present, private adaptation finance is not flowing and state finances are under severe stress, preventing states from funding their adaptation investment needs. There are a number of barriers that have been identified to scaling up adaptation finance, including inconsistent regulatory frameworks, lack of common understanding around definitions, a need for concessional finance and lack of credible pipelines of projects in order to attract finance<sup>50</sup>.
3. **Lack of standardised definitions, metrics, tools and frameworks available to guide investments.** The lack of a standardised frame of reference prevents investors from understanding climate risks and opportunities, and each transaction requires extensive effort to come to a common and shared definition for credible and impactful projects. Investors and issuers will also develop their own definitions which may or may not lead to the most resilient outcomes. The CBRT provides the standardised definitions and metrics, and the provision of clear, usable and accessible taxonomy toolkits and guidance will support uptake across target stakeholder groups. The goal is to facilitate quicker, more efficient, and more impactful identification and development of A&R projects, making them more attractive to investors. To further support the uptake of the CBRT it is planned to develop an online platform with co-funding from the Danish Ministry of Foreign Affairs. This will make the CBRT and all associated tools freely available to stakeholders from EMDEs.
4. **Lack of locally relevant definitions that enable local applicability.** The CBRT has been developed at a global level, using common definitions, measures and processes to bring a standardised structure to and understanding of resilience investments. However, A&R measures must be highly tailored to the specific risks faced by particular geographies, sectors, and populations, therefore the CBRT needs localisation to ensure the applicability and relevance to different socio-economic and environmental contexts. CBI will work with local stakeholders in India to secure the perspectives of local resilience and adaptation specialists and ensure these are brought into the development of the CBRT. This is intended to provide proof of concept for how global standards can be localized whilst remaining interoperable, which is critical for accessing global capital markets.

<sup>48</sup> Srinivasan, M., Ghoge, K., Haldar, S., Bazaz, A. B., & Revi, A. (2023, November 27). Climate finance in India 2023. Indian Institute for Human Settlements. <https://doi.org/10.24943/CFI11.2023>

<sup>49</sup> <https://www.climatepolicyinitiative.org/publication/financing-adaptation-in-india/>

<sup>50</sup> Anjanappa, Janardhana and Bhattacharya, Aritra, Assessing Barriers and Enablers for Scaling up Blended Finance in India For Financing Adaptation Projects (June 27, 2023). Available at SSRN: <https://ssrn.com/abstract=4493184> or <http://dx.doi.org/10.2139/ssrn.4493184>

In addition to convening local A&R working groups, National Adaptation Plans and other adaptation strategies and frameworks will drive the tailoring of the standards to be responsive to government priorities.

5. **Limited connectivity between issuers and other financial stakeholders.** This disconnect constrains the development of scalable A&R finance, as issuers lack the networks and support to structure viable instruments, while investors face uncertainty over risks, transaction sizes, and the absence of proven models. As a result, deal flow remains limited and investor confidence low. The project will address this by convening actors across the finance ecosystem and providing technical assistance to issuers for the issuance of demonstration bonds. These will serve as proof of concept, showcasing financial models and de-risking mechanisms that can be replicated at scale, thereby creating a more predictable and attractive environment for private investment in adaptation. Collaboration is central to the project's approach. Governments will align taxonomies with national policies and facilitate enabling environments; local actors will help build project pipelines; private sector partners will bring capital and expertise; and NGOs will ensure inclusiveness and local ownership. Key stakeholders to be engaged include national development banks, ministries of finance and environment, central banks, municipal governments, project preparation facilities, green guarantee initiatives, DFIs, commercial banks, insurers, credit rating agencies, and stock exchanges.

## Annex 11: Labelled bonds issued by country

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

## Annex 12: Overview of the CBRT structure

The Climate Bonds Resilience Taxonomy is divided into seven themes, each with their sectors and sub-sectors. The following overview from the CBRT Methodology provides an overview of the envisaged structure.

<b>Resilient Agri-Food Systems</b> 	Agricultural production	Animal production Agro-forestry
	Aquacultural production	Fishing Other aquacultural production
	Agri-food logistics, processing & retail	Wholesale of agricultural produce
		Manufacture of food & beverage products Retail of food products
<b>Resilient Cities &amp; Settlements</b> 	Construction & real estate activities	Construction, upgrade and maintenance of Residential buildings
		Construction, upgrade and maintenance Commercial buildings
		Construction, upgrade and maintenance Industrial buildings
Construction, upgrade and maintenance of Hospitals & other healthcare buildings		
Construction, upgrade and maintenance of Community buildings including schools		
Urban systems	Urban planning & management	
<b>Resilient Health Systems</b> 	Healthcare facilities	Operation of hospitals, clinics, nursing homes etc.
	Human Health services and activities	Delivery of treatment and care
		Emergency health services
<b>Resilient Industry &amp; Commerce</b> 	Mining & quarrying	Mining & quarrying
	Forestry & logging	Commercial timber production
	Manufacturing	Process manufacturing
		Pharmaceuticals & biotechnology
		Technology manufacturing
		Other discrete manufacturing
	Commercial trade	Wholesale trade
		Retail trade
	Logistics services	Warehousing & storage
		Logistics information management
	Hospitality	Tourism
		Leisure
	Financial and insurance activities	Banking
Insurance		
Other services	Scientific & engineering services including R&D	
	Data & information services	
	Other office-based services	

THEMES	SECTORS	SUBSECTORS
<b>Resilient Infrastructure</b> 	Energy	<ul style="list-style-type: none"> <li>Hydropower generation</li> <li>Wind power generation</li> <li>Solar power generation</li> <li>Geothermal generation</li> <li>Nuclear power generation</li> <li>Biomass generation</li> <li>Electricity transmission, distribution &amp; storage</li> </ul>
	Information and Communication	<ul style="list-style-type: none"> <li>Construction/operation of Transmission networks</li> <li>Construction/operation of Data facilities</li> </ul>
	Civil engineering: Transport	<ul style="list-style-type: none"> <li>Construction of Roads</li> <li>Construction/operation of Railways</li> <li>Construction/operation of Ports</li> <li>Aviation</li> </ul>
	Water supply	<ul style="list-style-type: none"> <li>Water supplies</li> <li>Desalination</li> <li>Wastewater collection &amp; treatment</li> <li>Flood management</li> </ul>
	Waste management and remediation	<ul style="list-style-type: none"> <li>Solid waste management</li> </ul>
<b>Resilient Natural Systems</b> 	Terrestrial Ecology	<ul style="list-style-type: none"> <li>Terrestrial ecosystems</li> <li>Terrestrial biodiversity</li> </ul>
	Freshwater Ecology	<ul style="list-style-type: none"> <li>Freshwater ecosystems</li> <li>Freshwater biodiversity</li> </ul>
	Marine Ecology	<ul style="list-style-type: none"> <li>Marine ecosystems</li> <li>Marine biodiversity</li> </ul>
<b>Resilient Social Systems</b> 	Education & awareness	<ul style="list-style-type: none"> <li>Child education</li> <li>Public awareness</li> </ul>
	Education & awareness	<ul style="list-style-type: none"> <li>Social assistance</li> <li>Livelihoods support</li> </ul>
	Public administration	<ul style="list-style-type: none"> <li>Maintaining national security</li> <li>Disaster risk reduction</li> </ul>
	Culture	<ul style="list-style-type: none"> <li>Preservation of cultural heritage</li> <li>Management of cultural facilities (e.g. museums, libraries, art galleries, concert halls)</li> </ul>