

Ministry of Foreign Affairs – Department for Green Diplomacy and Climate

Meeting in the Council for Development Policy on 12 September 2024

Agenda Item No. 3

- 1. Overall purpose:** *For discussion and recommendation to the Minister*
- 2. Title:** Danish Support to Climate-resilient Agriculture and Food Systems through Additional Climate Contributions of the International Fund for Agricultural Development
- 3. Amount:** DKK 150 million 2025-2027
- 4. Presentation for Programme Committee:** 18 June 2024
- 5. Previous Danish support presented to UPR:** No, this is the first presentation to UPR

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

<p>Key results:</p> <ul style="list-style-type: none"> - Climate change adaptation practises of small-scale farmers improved - Climate threats to food security reduced - Increased land under climate-resilient management - Climate finance channelled to agri-food systems and small-scale producers, especially in Africa <p>Justification for support:</p> <ul style="list-style-type: none"> - Supports an integrated approach to climate action and sustainable development in agri-food systems, promoting mainstreaming of climate adaptation and building of resilience against climate shocks in agricultural development - Addresses the challenge of insufficient climate adaptation finance reaching vulnerable countries and small-scale agriculture - Bridges the gap between climate financing and adaptation investment needs of small-scale agriculture, especially in Africa - Poor rural people and small-scale producers in developing countries are among the most vulnerable to climate change and its impacts, and yet are the most underserved by global climate finance. - Investments in agriculture and rural development are among the most effective means of addressing poverty and hunger and a critical pathway to deliver on the SDGs - The climate goals of the Paris Agreement cannot be achieved by development assistance or public investments alone. More innovative private investment models are needed, especially in the poorest and most fragile countries. Project will leverage private sector investments for climate adaptation <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - Implementation through government institutions and systems may challenge coordination, learning and efficient implementation of climate adaptation. Mitigation: Capacity building and continued decentralisation of operations - Fraud and corruption in some programme countries may negatively influence implementation and reputation. Mitigation: IFAD has strong procedures and systems in place. - Programme countries may lower their interest in co-financing/-borrowing within the project period. Mitigation: IFAD's management is strongly committed to promoting the ACC globally and locally. 	File No.	No 24/36171						
	Country	Global						
	Responsible Unit	KLIMA						
	Sector							
	Partner	IFAD						
		<i>DKK million</i>	2024	2025	2026	2027		Total
	Commitment		100	50				150
	Projected disbursement		50	50	50			150
	Duration	2025-2027, with an upfront payment late 2024 covering 2025 activities.						
	Previous grants	None for ACC. Ongoing DKK 190 m ASAP+ under CCDMP. Mali, Bangladesh & Uganda programmes total DKK 250 m						
	Finance Act code	§06.34.01.75						
	Head of unit	Karin Poulsen/KLIMA						
	Desk officer	Jette Michelsen/Dorrit Skaarup						
	Reviewed by CFO	Jacob Strange-Thomsen						
	Relevant SDGs							
 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation			
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production			
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for the Goals				

Objectives

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

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

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

Justification for choice of partner

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

Summary

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

Budget

Outcome 1-2	129 million
Unallocated funds	20 million
Reviews, studies	1 million
Total	DKK 150 million

Danish support to
Climate-resilient Agriculture and Food Systems
through
Additional Climate Contributions (ACC) of the
International Fund for Agricultural Development (IFAD)
(2025-27)

PROJECT DOCUMENT

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ABBREVIATIONS

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

1 INTRODUCTION

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning a DKK 150 million grant for the project *Danish support to Climate-resilient Agriculture and Food Systems through Additional Climate Contributions (ACC) of the International Fund for Agricultural Development (IFAD)* for the period 2025-2027. The document refers to the “Report of the Consultation on the Thirteenth Replenishment of IFAD’s Resources: Investing in Rural Prosperity and Resilience for a Food-Secure Future” in general and its Annex VII on ACC in specific. The implementing partner IFAD and the Department for Green Diplomacy and Climate (KLIMA) of the Ministry of Foreign Affairs (MFA), Denmark, will sign a legally binding agreement before project start.

2 CONTEXT, STRATEGIC CONSIDERATIONS, RATIONALE AND JUSTIFICATION

2.1 Background for Danish Support

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

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

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

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

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

² Adaptation Gap Report 2023 | UNEP - UN Environment Programme

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

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

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

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

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

The choice of IFAD as partner for strengthening climate resilient agriculture and food systems is based on the fact that IFAD’s core mandate is agricultural development and building the resilience of the rural poor. 90 per cent of IFAD’s climate work is on adaptation. Moreover, IFAD already has experience to mobilize climate finance for vulnerable agricultural producers in 41 countries⁵. IFAD’s comparative advantage, as recognized by Denmark and likeminded OECD countries, is its focus on small holder farmers. Thus, in its most recent assessment of IFAD, covering the period 2018 to 2023, MOPAN, which is an independent network of 22 member states, describes IFAD as well-positioned to respond to the critical global challenge of climate change⁶. Finally, IFAD operates as a global fund, but has a strong emphasis on Africa, with 60 per cent of its investments targeted Africa.

2.2 Context

The impacts of climate change on agriculture and food systems are already felt across Africa, Asia, Central and South America, and Small Islands Developing States (SIDS). Climate change is eroding agricultural production and food security. Projections on climate – which go hand in hand with developments in hunger and poverty - are alarming. Before 2030, the global temperature rise is predicted to breach the critical 1.5 °C threshold, which will have severe and irreversible impacts on agricultural production, fisheries and the natural ecosystems on which most rural livelihoods depend⁷. Predominantly rural, small-scale producers in developing countries produce one third of the food consumed worldwide⁸. Yet they are among the most vulnerable to climate change and its impacts.

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

⁶ MOPAN assessment of IFAD 2023, released Feb 2024. See Annex 2 for a summary of the findings.

⁷ IPCC, 2022, Summary for Policymakers.

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

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

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

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

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

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

Women and girls experience the greatest impacts of climate change – and face special constraints in access to finance, increasing existing gender inequalities and threats to women's food security, and livelihoods. Women and girls make up the majority of poor and rely more on food and income thus directly depend on land and natural resources. They also tend to be less involved in decision-making, despite being main responsible for securing water, food, and fuel for cooking. Moreover, women also face particular constraints in regard to entrepreneurship and access to finance.

Africa - the continent worst hit by climate change - faces acute adaptation challenges, which underpins the fundamental relevance of the proposed Danish contribution. The impact of climate change includes decreased farm yields, lower animal growth rates and productivity in pastoral systems, changes in pest and disease outbreak patterns. These challenges can also be

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

¹⁰ World Bank: Poverty and Shared Prosperity Report 2022

¹¹ Global Report on Food Crisis (0924)

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

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

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

related to the loss and damage associated with climate change. Official analysis from leading donors, like the World Bank, document that climate change is reducing the agricultural productivity substantially in many African countries¹⁵. The agricultural sector accounts for 35% of African GDP and the agri-food systems employ two-thirds of the workforce. Africa's rural small-holders and micro, small and medium-sized enterprises – highly dependent on natural resources - are most directly affected by the climate change impacts. Demographic growth and a growing middle class are estimated to further increase the demand for food which will increase the pressure on ecosystems and accentuate the need for a sustainable, green transformation of agriculture and food systems. In the African perspective, agrifood systems are the leading sectors for synergies across development and climate action¹⁶.

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

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

2.3 Implementing partner and aid modalities

Born out of the global food crises of the early 1970s, IFAD was established in 1977 as a Specialized Agency of the United Nations with the mandate of an international financial institution (IFI) to invest in agricultural projects in rural areas of the world's poorest countries. IFAD is therefore both a UN Specialised Agency and an IFI. IFAD differs from the other two UN food agencies (the World Food Programme (WFP) and the Food and Agriculture Organization (FAO) in its function as a development finance institution. It finances projects that are country-owned, meaning its investment projects are embedded in the government's national strategy and run through government systems. Compared to other organizations investing in agriculture, IFAD works exclusively with small-scale farmers and requires that its programs focus on the poorest regions in the countries of operation.

IFAD's mandate is to transform rural areas by reducing poverty and food insecurity through inclusive agriculture and rural development. IFAD's comparative advantage lies in its focus

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

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

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

on small-holder agriculture. IFAD is committed to ensuring that its climate-focused finance does not address climate change adaptation and mitigation in isolation, but rather seeks to build long-term resilience in rural communities¹⁸.

IFAD is engaging with countries on their Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). IFAD’s newer country strategies are all incorporating analysis of the country’s NDCs and NAPs and thus aim to align with national climate goals and plans¹⁹. In climate action on the ground, IFAD specifically engages in enhancing the use of climate-smart agricultural practices, crop diversification, drought-resilient crops, efficient irrigation techniques, sustainable land management as well as water management and agro-ecological and other innovative approaches. IFAD collaborates with national and local actors, including farmers’ organisations and local financial institutions. In its climate adaptation at country level, IFAD rolls out a gender-transformative approach, aiming for providing women with equitable access to adaptation knowledge and innovation²⁰

Table 1 illustrates IFADs work with climate change adaptation investments in Africa and fragile contexts. The four selected cases are prominent examples on how IFAD applies methodologies and tools related to poverty orientation and target group considerations. As well considerably impact have been achieved in terms of land brought under climate resilience practices, improved productivity and increased income.

Table 1: Case examples on IFAD work with climate change adaptation investments in Africa and fragile contexts

<i>Country</i>	<i>Kenya</i>	<i>Mozambique</i>	<i>Gambia</i>	<i>Sudan</i>
Title	Kenya Cereal Enhancement Programme – Climate Resilient Agricultural Livelihoods Window (KCEP – CRAL)	Pro-Poor Value Chain Development in the Maputo and Limpopo Corridors (PROSUL)	National Agricultural Land and Water Management Development Project (NEMA)	Butana Integrated Rural Development Project (BIRDIP)
Description	Reduction of rural poverty and food insecurity in arid and semi-arid areas by improving smallholder farmers’ economic potential and natural resource management	Improvement of livelihoods, through promotion of climate-smart technologies and climate-resilient infrastructure	Poverty reduction among rural women and youth by improving productivity through sustainable land and water management practices	Sustainable improvement of livelihoods and resilience to drought of rural households in Butana
Impact	77% smallholder households reported being food secured 74,810 smallholder farmers reported being taken out of poverty	7 795.3 ha of land under climate resilient practices 6 to 25 tons per ha increase in cassava productivity	1,955 ha of land brought under climate-resilient practices 75.68km of road built through the Farm-to-Market Access Roads Initiative	524 000 ha of land under improvement and climate-resilient practices 379 Climate Resilient Community Village Plans implemented

¹⁸ IFAD Climate Action Report 2022, p.8

¹⁹ IFAD: Climate finance to strengthen food systems: An opportunity for IFAD. 2022

²⁰ See IFAD’s Gender Transformative Mechanism

	52% smallholder farmers reported an increased income	Construction of 52 multifunctional boreholes Formulation of key policies and strategic documents, such as the MADER gender strategy	640 farmers trained and 50 schools established through the Farmer Field Schools for Climate Adaptation 70% of beneficiaries were women	90% increase in crop and small ruminant productivity Establishment of Natural Resources Governance Framework
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IFAD provides finance member states through grants, concessional loans, ordinary loans, blended loans (including grants) or non-concessional loans; terms depending on country-level GNI thresholds. IFAD’s finance products aimed for lower and lower-middle income countries are financed through the replenishment of its resources by its Member States and increasingly also by loan repayments. IFAD also provides concessional loan capital from a number of member countries. In addition, IFAD receives supplementary funding that typically are earmarked grants for specific countries or programmes and projects. As an IFI, and with a credit rating of AA+, IFAD also uses borrowed market-term resources (typically issuing of bonds) which are typically used for semi-concessional loans to higher-income countries.

While governments are increasingly realising that rural development and farming – also that done by climate vulnerable small-holders - is essentially private business development and should be treated as such, IFAD is gradually expanding its private sector engagement, particularly with blended finance schemes for non-sovereign operations²¹, including innovative models for and promoting private sector climate finance.

Table 2: Africa Rural Climate Change Adaptation Finance Mechanism (ARCAFIM)

The Africa Rural Climate Change Adaptation Finance Mechanism (ARCAFIM) is an example on how IFAD is developing innovative financing mechanisms for mobilising private capital for climate change adaptation in Africa. ARCAFIM is supported by Denmark through its Embassy in Uganda. ARCAFIM addresses constraints for accessing and mobilizing climate adaptation finance, introduces measures for mobilizing specific private financing for climate adaptation investments and establishes risk assessment- and risk sharing systems. ARCAFIM strengthens the capacity of financial institutions for climate investments and increases rural small-holders’ awareness of and capacity in climate adaptation methodologies. Finance for women and youth entrepreneurship gains special attention. Finally, legal and governance barriers for climate change adaptation investments are addressed.

IFAD is currently defining a new integrated climate, environment, and biodiversity strategy, which is set to be submitted to the Executive Board in 2025. This strategy will emphasize innovative climate financing models that are needed to bridge the climate adaptation

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

investment gap and to address the constraints that are holding back private sector and financial institutions from investing.

All IFAD finance products are directed towards initiatives that include significant co-financing by the governments, beneficiaries, private sector agents, other IFI and public development banks, etc. IFAD also mobilizes international climate finance from the Green Climate Fund, the Global Environment Facility, the Adaptation Fund and other sources of climate funding. The catalytic effect of such mobilization of additional resources is significant: the IFAD13 has a co-financing ratio target of 1:1.7.

IFAD operates with three-year planning and budgeting periods, and the next replenishment phase (IFAD13) will be for 2025-2027. Overall, Member States set a target of USD 2 billion. By July 2024, the total core replenishment pledges amounted to USD 1.388 billion. The planned climate finance share of IFAD13 is 45%, up from 40% in IFAD12 and 25% in IFAD11.

Overall, the biggest donors to IFAD13 are USA, France, Netherlands, Italy, Germany, Norway, China, UK, Canada, Switzerland, Kuwait and Japan²². Denmark is the second largest Member State contributor to Supplementary funds.²³ Denmark will not contribute with replenishment funding to IFAD 13.

Novel to IFAD13 is the establishment of a new climate initiative, the Additional Climate Contributions (ACCs). The aid modality for ACCs will be considered core contributions to IFAD but earmarked for 100% climate-related activities. IFAD has set the total budget frame of ACC as USD 150 million (depending on donor contributions).

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

2.4 Denmark and IFAD

Denmark has not provided core replenishment funding to IFAD in recent years, but we are among the top three donors of supplementary funds (see Table 3 below). Climate-adaptation and private sector related investments into agriculture have been in focus. With Danish support to the ACC, Denmark will have a comprehensive engagement with IFAD, which will also enable Denmark to exert more influence on the integration of climate adaptation and agricultural development, at the strategic level within IFAD's Executive Board and

²² Summary of the status of contributions to the Thirteenth Replenishment of IFAD's Resources (IFAD13) As at 31 May 2024

²³ IFAD: Overview of supplementary funds received, committed and used in 2022. Executive Board, September 2023.

Governing Council, and at country level in collaboration between Danish embassies and IFAD decentralized regional and country offices.

Table 3: IFAD projects co-financed by supplementary funding from Denmark²⁴

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

2.5 Strategic IFAD priorities

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

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

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

2.6 Additional Climate Contributions (ACC)

IFAD is establishing ACCs as a new form of additional contribution to the Fund’s core replenishment resources for IFAD13, seeking to address the severe underfinancing of climate

²⁴ More information on those projects can be found in Annex 2, including lessons learned.

²⁵ Updated approach to IFAD engagement in fragile situations. 2024.

finance directed to the most climate vulnerable small-scale farmers. The use of funding provided as ACC will be restricted and earmarked in order to be considered 100% climate finance in accordance with the Joint Methodology for Tracking Climate Change Adaptation Finance (MDB methodology)²⁶ However, recognising that some member states prefer the Rio Marking Methodology (RIO Methodology), IFAD will begin reporting also on Rio markers during IFAD 13.

The ACCs are presented by IFAD as a way to “mobilize additional dedicated climate finance for activities that directly support small-scale farmers’ climate adaptation, as well as mitigation efforts in local food systems.”²⁷ According to IFAD’s Global Engagement, Partnership and Resource Mobilization Department, IFAD13 has a target of channeling at least 45% of its investments to climate finance out of which at least 90% goes to climate change adaptation. As the ACC will be fully dedicated to top-up climate finance it is justified for donors to report its contribution to ACC as 100 % climate adaptation.

The ACCs are neither a special programme nor a special fund, but will work as climate top-up finance to the future regular programmes and projects of mainly low-income and lower-middle income countries, financed by the ordinary resources available under IFAD13. The additional climate finance will always be used in combination with other IFAD financing and enhance the climate focus of larger investments.

The additional climate finance raised though the ACC are intended to

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

Since the ACC will be used for climate finance top-ups to future country level projects during 2025-27, there are not yet any pipeline or preselected projects that could illustrate the use of the ACC funds. 80 countries have been selected by IFAD for implementation under IFAD13, and this selection will be presented to IFAD Executive Board in December 2024. Among these, the selection of projects for ACC climate-topping up will be done based on performance and demands by countries²⁸.

As an example of the ACC applied mechanism IFAD has provided the theoretical Figure 1 below. IFAD and the partner country (a low or low-middle income country) discuss and decide on joint initiatives based on priorities and development and climate plans (including

²⁶ IFAD reports its climate finance commitments to OECD using the MDB methodology. The MDB methodology is considered to be more demanding in scrutinizing project activities and identifying what is actual climate finance, compared with the Rio markers methodology.

²⁷ IFAD, March 2024, Core Additional Climate Contributions, p. 1

²⁸ Denmark has restructured its bilateral development cooperation with Mali, Burkina Faso and Niger and no longer provides direct support to the central governments. Therefore, Denmark will pay special attention to whether the right control and save guarding mechanisms are in place if support to these countries is considered by IFAD.

NAP). On top of the standard budgetary allocation available, say USD 50 million as in the example below, the country is offered an additional amount of for example USD 5 million from the ACC – a climate top-up exclusively for 100% climate-related investments such as those mentioned in the right column. In the example below, the relative share of climate finance in that specific project would increase from 45% to 50%. ACCs are likely to account for 5-7% of total core contributions.

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

Figure 1: Example of Applied ACC Mechanism

Example of hypothetical IFAD-financed project with PBAS and Climate-top-up

Financing Source		US\$	Climate / non-climate	% of funding	US\$	Examples of activities/costs covered
IFAD	PBAS allocation	50.000.000	Non-climate related investments	55%	27.500.000	- Community development activities - Small scale infrastructure, - Vocational training - Farmer field schools - Matching grant financing for MSMEs - Value chain development activities
			Climate-related investments (optional)	45% (but could be more or less)	22.500.000	Climate top-ups and the PBAS allocation could finance the same kinds of climate-related investments, for example, - Afforestation/reforestation - Improved management of rice production - Renewable energy / biogas production - Research on climate-adapted crop production systems - Training related to climate resilience, early warning systems - Meteorological systems
	Climate top-up (from ACC)	5.000.000	Climate-related investments (mandatory, separately tracked in project budget)	100% (mandatory)	5.000.000	
	TOTAL IFAD	55.000.000			55.000.000	
	of which climate finance			50%	27.500.000	
Co-financiers	Government				10.000.000	Staff salaries and other project management costs, salaries of agricultural extension staff
	Local Banks				10.000.000	Loans to project beneficiaries
	Development Bank				50.000.000	Large scale infrastructure
Total Project Cost					125.000.000	

2.7 Rationale and justification

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

entitled: 1) ‘Green transformation of agri-food systems – agri-food production, business and food security’, 2) ‘Fighting poverty and inequality’ and 3) ‘Climate adaptation, nature and environment’. The How-to-Note on Green Transformation of agri-food systems specifically points to IFAD as a crucial partner in food systems transformation and climate-smart agriculture.

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

IFAD and Denmark share a number of important strategic priorities, including that of focusing on climate adaptation in agriculture and food system and thereby reducing poverty amongst small-holder farmers in the poorest countries and the poorest regions of countries. A major finding of the lessons learned exercise carried out to inform the design of this project (see Annex 2), was that Danish representations (e.g. in Kampala, Dhaka and Rome) found IFAD’s outreach capability a major strength that is not matched by other multilateral development organisations, especially in Africa. There is a strong and growing IFAD emphasis on fragile contexts as well as the African continent, based on entering equal partnerships with its Member States; anchored in their national institutions and organisations.

IFAD has a strong political backing from developing countries, as can be seen from political support provided for instance by the African Union and African Heads of State²⁹. It is also remarkable, that many developing countries (e.g. Kenya, Uganda, Tanzania, Ghana, Cote d’Ivoire, Nigeria, Bangladesh, Cambodia, China) have pledged substantial core replenishments to IFAD³⁰. In addition, IFAD has proven to be successful in leveraging public funds by having the private sector engaging and investing actively, also with a view to create sustainable job opportunities for rural populations, including women and youth. As such, IFAD offers a package of support mechanisms in the nexus of climate change, poverty, food systems and private sector driven rural development.

IFAD’s interventions are a vehicle for strengthening country ownership and supporting nationally- and locally led climate-adaptation and resilience building in agriculture and food systems. IFAD’s strength in terms of ownership and locally-led agricultural small-holder development was also a major finding of the lessons learned exercise. Kampala and Rome also highlighted IFAD’s ability to mobilize private sector investments and innovating climate finance models, supported by deep technical competencies and dedication of involved IFAD staff.

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

²⁹ <https://www.ifad.org/en/web/latest/-/news/african-heads-of-state-call-on-world-leaders-to-increase-investment-in-ifad-to-end-rural-hunger-and-poverty#:~:text=Rome%2C%2019%20October%202020%20-%20Ten,and%20hunger%2C%20particularly%20in%20Africa>

³⁰ <https://www.ifad.org/en/ifad13/pledges.html>

development – being updated regularly based on lessons learned. The availability and application of strong methodologies and tools were also mentioned as a major strength during the lessons learned exercise, specifically in terms of offering transparent and inclusive monitoring and review processes, facilitating the representation's administration (e.g. Bangladesh).

IFAD is consistently rated as an effective and impactful organisation. The Center for Global Development's Quality of Official Development Assistance assessment ranked IFAD as the most effective and efficient multilateral development organization delivering impactful long-term support to fragile states globally in 2021. The recent 2024 MOPAN assessment of IFAD found that IFAD's mandate and role in transforming rural communities and food systems was highly and increasingly relevant. Project relevance was assessed as highly satisfactory and effectiveness as satisfactory. IFAD's strategic framework and business model is focused and well-articulated. MOPAN assesses that IFAD's Strategy and Action Plan on Environment and Climate Change 2019-2025 helps implement its objective of improving the climate resilience of smallholder farmers, environmental sustainability and resilience. IFAD is further lauded for using effective consultative processes and for using its resources transparently in partnerships with its Member States. Finally, MOPAN highlights the high-quality evaluations of its country strategies and operation work as well as special issues raised by its management. That said, MOPAN also recommends IFAD to strengthen project efficiency such as increasing the capacity of partner governments and improving disbursement rates, more focus on staff welfare as well as growing IFAD's strategic partnerships and continuing its decentralisation process. Lessons learned by MFA identifies a few points of attention related to a potential risk of delays in implementation (ASAP+, mainly due to country contexts); the risk of insufficient implementation capacities at smaller IFAD country offices; and finally challenges if implementing partner governments have significantly siloed and bureaucratic governance structures (mentioned by Danish Embassy in Bamako).

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

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

There are also synergies with Denmark's multilateral support to WFP and to FAO that work on climate resilience in agri-food systems globally and in individual climate-vulnerable countries, as well as with Danish-supported CGIAR, the world biggest network of agricultural research. Moreover, there are synergies with the World Bank's Food Systems 2030 Multi-Donor Trust Fund that Denmark supports in view of green transformation of agri-food systems and with the Danish-supported global climate funds, e.g. the Green Climate Fund that works with IFAD as implementing partner.

3 PROJECT PURPOSE AND OBJECTIVES

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

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

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

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

contribute to achieving *SDG 13 – Climate action.*

The development objective of the project is to

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

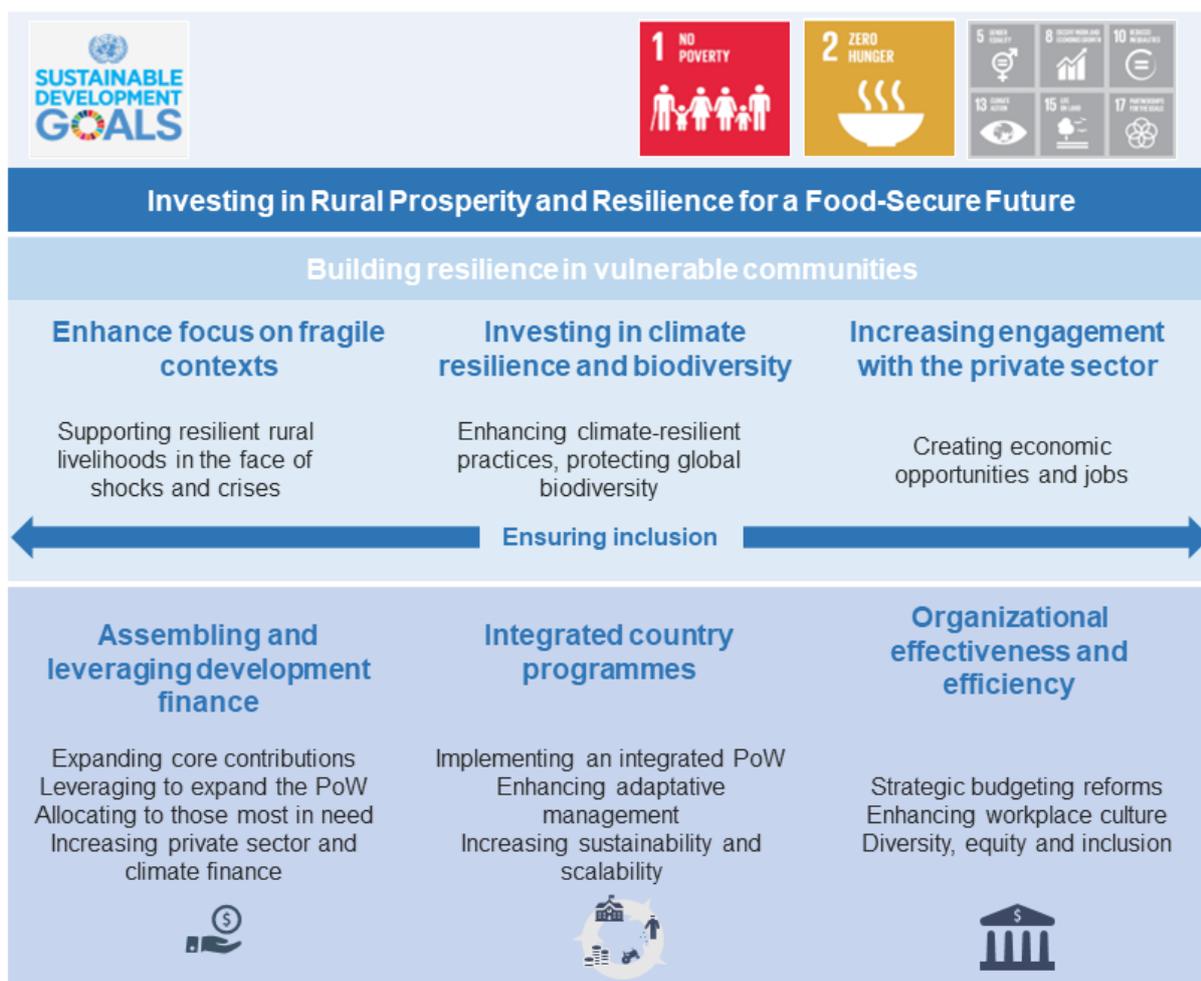
4 THEORY OF CHANGE AND KEY ASSUMPTIONS

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

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

The tools and instruments to achieve those results are i) assembling and leveraging development and climate finance for those most in need, ii) formulating and carrying out integrated country programmes characterised by stronger adaptability and enhanced sustainability and scalability while iii) ensuring and improving organisational effectiveness and efficiency. Throughout IFAD's operation, inclusion is the key principle – illustrated by the arrow spanning across.

Figure 2: The Theory of Change of IFAD13



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

As an illustration, using the theoretical project example provided in Figure 1 in Chapter 2, the embedded ToC of that project is that **if** additional climate finance is made available, **then** increased number and types of climate investments can be made, financing various types of activities can take place etc. I could be training in introducing more climate resilient crops and/or crop management, establishing meteorological- and early warning systems, reforestation etc. Those activities would generate outputs such as knowledge and practises through people having been trained. The behavioural change of small-scale farmers and other actors would contribute to climate adaptation. Finally, if organisational effectiveness and efficiency is in place these additional climate investments would enhance climate-resilient practises and protect biodiversity.

5 SUMMARY OF THE RESULTS FRAMEWORK

A results framework based on the Results Measurement Framework (RMF) of IFAD13, is presented in Table 4 below. The suggested indicators and targets have been selected from the list of mandatory core indicators in RMF and will thus be readily available and reported on in IFAD's regular progress and impact reporting. A results framework including also output indicators can be found in Annex 3.

Table 4: Preliminary Results Framework

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

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

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

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

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

5.1 Results monitoring and reporting

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

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

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

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

Denmark has entered into dialogue with ACC-donors to jointly follow-up on IFAD's reporting on the use of ACC and climate adaptation outcomes.

IFAD has agreed to make available reports from projects that have received ACC climate-top up funding.

6 BUDGET

The budget target for the ACC programmatic period 2025-2027 is USD 150 million. As of July 2024, IFAD has secured a total funding of about USD 35 million from Switzerland, The United Kingdom, Ireland and Panama. Consultations are ongoing for contributions from Norway, Germany, Spain, the Gulf countries, Luxembourg, and Belgium. Funding for ACC will be pooled and earmarked for investments that are considered 100% climate adaptation finance according to the MDB methodology.

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

Table 5: Indicative Budget (DKK million)

	2025	2026	2027	Total
Budget Allocation				
Outcome 1 and 2	50	29	50	129
Unallocated funds		20		20
Review, studies ³¹		1		1
Total, DKK million	50	50	50	150

* 100 DKK 50 million allocated on FFL24 §06.34.01.75

** DKK 50 million expected allocated on FFL25 §06.34.01.75

The budget period for the Danish contribution will follow the programmatic period 2025-2027 of IFAD 13/ACC. Due to budgetary planning an upfront disbursement will be made late 2024 covering activities for 2025 and correspondingly for the following years.

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

DKK 20 million will be set aside as unallocated. These funds will be allocated in 2026 following consultations between MFA and IFAD, and will only be used for activities in support of the project's outcomes and be considered 100% climate adaptation finance. It cannot be used for core replenishments.

It will be considered to use the unallocated funds as a contribution for the multi-donor trust fund for the Vision for Adapted Crops and Soils (VACS, cf. Section 2.3). So far, only the US government has made a financial contribution to the trust fund with USD 100 million. Further consultations remain before the initiative is ready to consider funding from other donors, including Denmark. In the event that there are no justifiable options for new climate finance initiatives including VACS, the unallocated funds will be allocated to ACC funding.

Final decision on the use of unallocated funds for activities outside ACC funding, but within the overall objectives, will depend on a separate appraisal following the Aid Management Guidelines.

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

No management fee will be charged by IFAD for ACCs. The reason for IFAD to decide not to charge the usual 8% (which is the case for supplementary funding) is that the ACCs are fully integrated into IFAD's normal design, supervision and reporting processes and thus adds very limited additional transaction costs. If the unallocated funds are used for activities outside of ACC funding, management fees may apply.

³¹ Retained in MFA, Copenhagen

7 INSTITUTIONAL AND MANAGEMENT ARRANGEMENT

Member States govern IFAD through its Governing Council and the Executive Board. These two bodies make all major decisions for the organization. Held annually at IFAD headquarters in Rome, the Governing Council is the Fund's main decision-making body and is open to all Member States. The annual meeting and proceedings are the basis for IFAD's continued rural development efforts. The Executive Board is responsible for overseeing the general operations of IFAD and for approving its programme of work. Membership on the Executive Board is determined by the Governing Council.

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

Denmark exerts its influence on IFAD through the Governing Council and as an alternate member of the Executive Board. The Deputy State Secretary for Development Policy in the Danish MFA is Denmark's Governor to IFAD and therefore member of the Governing Council. The Danish Embassy in Rome participates in Executive Board meetings and engages and ensures regular dialogue with IFAD's secretariat to ensure transparency, monitoring, evaluation and learning from IFAD activities to support DK priorities and bring best practices and learnings from IFAD's engagement into relevant bilateral and multilateral engagement related to climate adaptation in agri-food systems. The MFA department of Green Diplomacy and Climate shares information and coordinates with relevant embassies and other departments in the DK MFA to enhance understanding and synergies between other Danish funded multilateral and bilateral programmes and IFAD projects.

Denmark has restructured its bilateral development cooperation with Mali, Burkina Faso and Niger and no longer provides direct support to the central governments. Therefore, Denmark will pay special attention to whether the right control and save guarding mechanisms are in place if support to these countries through ACC is considered by IFAD.

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

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

Since Denmark is not contributing core replenishment funds to IFAD13, no additional voting rights will be gained through this support to ACC. Due to accumulated voting rights gained from earlier core replenishment funding, Denmark remains in possession of voting

rights (1.1% of total votes, gradually diminishing over time) and is an alternating member of the Executive Board.

MFA shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project. After the termination of the project, MFA reserves the right to carry out evaluations in accordance with this article.

8 FINANCIAL MANAGEMENT, PLANNING AND REPORTING

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

Audited financial statements should be submitted annually to MFA latest 6 months after the end of a financial year i.e. latest 30. June each year.

9 RISK MANAGEMENT

Risk management is the responsibility of the Executive Board that overlooks and acts upon risks in accordance with its Enterprise Risk Management (ERM) Policy. The risk monitoring framework of IFAD, to which the project aligns, is centred around a Corporate Risk Dashboard (CRD) with identified key risk indicators (KRI). Risks are monitored closely and reported to the Audit Committee quarterly. A more detailed risk management matrix in line with MFA requirements is provided in Annex 4. The risk management matrix will be reviewed and updated during the planned MFA Mid-Term Review in 2026.

The following selected main programmatic risks may affect the project:

- Implementation through government institutions and systems may challenge coordination, learning and efficient implementation of climate adaptation. This also related to the challenges of low levels of government planners' and implementer's understanding and knowledge on how to identify, measure and standardize adaptation and resilience action, potentially worsened by siloed and bureaucratic governance systems. The risk is considered likely for some countries and will be mitigated through capacity building and continued decentralisation of operation.
- Fiduciary risks (fraud, corruption) as well as money laundering, terrorism financing and sanctions related risks in programme countries may negatively influence implementation and reputation. The risk is considered likely in some countries. IFAD has strong mitigation procedures and systems in place.
- IFAD's programme countries may lower their interest in co-financing/borrowing within the project period. However, this situation is considered unlikely as IFAD's management is strongly committed to promoting the ACC globally and locally. Thus, it is likely that it will be possible to implement the IFAD 13/ACC funds within 5-7 years.

10 CLOSURE

Closure of the project will take place at the end of IFAD13 2025-2027 and project completion reporting and impact assessments will follow standard IFAD13 systems and procedures.

ANNEX 1

CONTEXT ANALYSIS

As a specialized UN agency, the International Fund for Agricultural Development (IFAD) is dedicated to eradicating poverty (SDG 1) and hunger (SDG2) in rural areas of developing countries. IFAD's work is focused around building resilience through promoting sustainable agricultural development, increasing food security, and improving the livelihoods of rural populations, who are often among the most marginalized and vulnerable to climate change.

The global context for eradicating poverty and hunger is characterized by numerous interlinked challenges. These include demographic changes, economic inequalities, environmental crises, and political instabilities, all affecting rural areas in developing countries and adding to the vulnerability of the poor rural populations.

While the main challenges concerned with climate change are described in Chapter 2 of this project document, this annex summarizes in short terms the broader variety of global and local challenges which the rural populations face. It also provides very brief and more technical introductions as to how IFAD's addresses the challenges through its resilience building work.

1. POVERTY AND INEQUALITY IN RURAL AREAS

1.1 Economic Poverty

Economic poverty in rural areas is a persistent issue, with many farmers and agricultural workers living below the poverty line³² IFAD focuses on improving income opportunities and access to resources, credit, and markets³³.

Causes of Poverty:

- Limited access to financial services and infrastructure³⁴
- Low productivity and inefficient farming methods³⁵
- Lack of income diversification³⁶

1.2 Social Inequalities

Social inequalities such as gender discrimination and marginalization of indigenous populations exacerbate the situation³⁷. IFAD works to strengthen women's rights and capacities, as women often form the backbone of agricultural work in many communities³⁸.

Examples of Inequalities:

- Women's limited access to property rights and land³⁹.
- Limited educational and healthcare services in rural areas⁴⁰.

³² <https://www.worldbank.org/en/topic/ruralpoverty>

³³ IFAD. (2023). Global Challenges.

³⁴ <http://www.fao.org/state-of-food-security-nutrition>

³⁵ International Labour Organization (ILO). (2023). Rural Employment and Poverty.

³⁶ IFAD. (2023). Financial Inclusion in Rural Areas

³⁷ <https://www.worldbank.org/en/topic/agriculture>

³⁸ IFAD. (2022). Income Diversification.

³⁹ UN Women. (2022). Gender Equality in Rural Areas.

⁴⁰ IFAD. (2023). Indigenous Peoples.

2. ENVIRONMENTAL CHALLENGES

2.1 Climate Change

Climate change affects agricultural production by altering weather patterns, increasing the frequency of extreme weather events, and impacting water resources⁴¹. IFAD supports climate adaptation and resilience in rural areas⁴².

Consequences of Climate Change:

- Increased droughts and floods⁴³
- Altered growing seasons and crop yields⁴⁴
- Degradation of natural resources such as soil and water⁴⁵.

2.2 Environmental Degradation

Environmental degradation such as deforestation, soil erosion, and water pollution threatens the sustainability of farming systems⁴⁶. IFAD promotes sustainable agricultural practices and biodiversity conservation⁴⁷.

Strategies to Combat Environmental Degradation:

- Agroforestry and integrated cropping systems⁴⁸.
- Water management practices⁴⁹.
- Conservation of indigenous seeds and plants⁵⁰.

3. FOOD INSECURITY

3.1 Access to Food

Food insecurity in rural areas is a critical issue, with many households having limited access to adequate and nutritious food⁵¹. IFAD works to increase production and improve the efficiency of food systems⁵².

Factors Behind Food Insecurity:

- Low agricultural productivity⁵³
- Weak market connections⁵⁴
- Insufficient storage capacity and transport infrastructure⁵⁵

⁴¹ <http://www.fao.org/gender/resources/infographics/women-agriculture>

⁴² <https://www.worldbank.org/en/news/feature/2022/02/11/land-rights>

⁴³ <https://www.unesco.org/en/articles/education-rural-areas>

⁴⁴ IFAD. (2023). Climate Change and Agriculture.

⁴⁵ Intergovernmental Panel on Climate Change (IPCC). (2021). Climate Change Impacts.

⁴⁶ World Resources Institute (WRI). (2021). Climate Risks in Agriculture

⁴⁷ IFAD. (2023). Environmental Sustainability

⁴⁸ World Bank. (2022). Environmental Degradation and Agriculture

⁴⁹ FAO. (2021). Agroforestry and Sustainable Agriculture

⁵⁰ IFAD. (2022). Integrated Cropping Systems.

⁵¹ IFAD. (2023). Food Security and Nutrition

⁵² FAO. (2021). The State of Food Security and Nutrition.

⁵³ World Food Programme (WFP). (2022). Food Security Analysis

⁵⁴ IFAD. (2023). Market Access.

⁵⁵ FAO. (2022). Agricultural Markets

3.2 Nutritional Challenges

Nutritional deficiencies are widespread in rural areas, where monotonous diets and lack of access to diversified foods cause malnutrition⁵⁶.

IFAD's Interventions:

- Promotion of diversified crop cultivation⁵⁷.
- Development of local markets and food processing⁵⁸.
- Education on nutrition and food security⁵⁹.

4. DEMOGRAPHIC CHANGES

4.1 Urbanization

Urbanization affects rural areas by leading to a drain of labor and changing demographic patterns⁶⁰. IFAD supports programs that create attractive opportunities in rural areas to counter migration⁶¹.

Consequences of Urbanization:

- Labor shortages in agriculture⁶².
- Aging farming population⁶³.
- Need for modernization of rural areas⁶⁴.

4.2 Population Growth

Population growth in many developing countries creates increased pressure on resources and a need for food production⁶⁵. IFAD works to ensure that the agricultural sector can meet the rising demand⁶⁶.

Strategies to Address Population Growth:

- Optimization of agricultural practices⁶⁷.
- Development of sustainable food systems⁶⁸.
- Investment in agricultural research and innovation⁶⁹.

5. POLITICAL AND ECONOMIC STABILITY

5.1 Political Instability

⁵⁶ IFAD. (2023). Nutrition and Food Systems

⁵⁷ World Bank. (2022). Nutritional Challenges in Rural Areas

⁵⁸ IFAD. (2023). Diversified Crop Cultivation.

⁵⁹ IFAD. (2023). Rural-Urban Migration

⁶⁰ UN Department of Economic and Social Affairs (UNDESA). (2022). Urbanization Trends.

⁶¹ IFAD. (2023). Labor Shortages in Agriculture

⁶² World Bank. (2023). Modernization of Rural Areas

⁶³ IFAD. (2022). Population Growth and Agriculture

⁶⁴ World Bank. (2022). Population Growth in Developing Countries

⁶⁵ IFAD. (2023). Agricultural Research and Innovation.

⁶⁶ IFAD. (2023). Governance in Rural Areas

⁶⁷ UN Development Programme (UNDP). (2022). Political Instability and Agriculture

⁶⁸ IFAD. (2023). Economic Stability in Rural Areas

⁶⁹ World Bank. (2022). Economic Instability and Rural Economies

Political instability can disrupt agricultural production and worsen food security⁷⁰. IFAD works to strengthen governance and institutional frameworks in rural areas⁷¹.

Impact of Political Instability:

- Disruptions of supply chains⁷².
- Risk of agricultural conflicts⁷³.
- Restrictions on investments in rural areas⁷⁴.

5.2 Economic Instability

Economic instability, including currency fluctuations and financial crises, impacts rural economies⁷⁵. IFAD focuses on creating robust economic systems that can withstand external shocks⁷⁶.

Effects of Economic Instability:

- Uncertainty in food prices⁷⁷.
- Limited investments in agricultural infrastructure⁷⁸.
- Increased production costs⁷⁹.

6. TECHNOLOGICAL DEVELOPMENT AND INNOVATION

6.1 Agricultural Technology

Technological development in agriculture is crucial for increasing productivity and sustainability⁸⁰. IFAD promotes access to and use of modern agricultural technologies in developing countries⁸¹.

Examples of Technological Innovation:

- Precision agriculture and digital farming technology⁸².
- Climate-smart agriculture⁸³.
- Development of biotechnological crops⁸⁴.

6.2 Information and Communication Technology (ICT)

Information and communication technology (ICT) improves information flow and market access for rural areas⁸⁵. IFAD invests in ICT solutions to connect farmers with market information and services⁸⁶.

⁷⁰ IFAD. (2023). Technological Innovation in Agriculture.

⁷¹ FAO. (2022). Agricultural Technology Trends

⁷² IFAD. (2023). Climate-Smart Agriculture.

⁷³ World Economic Forum (WEF). (2022). Agricultural Biotechnologies

⁷⁴ IFAD. (2023). Information and Communication Technology in Agriculture

⁷⁵ FAO. (2022). ICT in Agriculture.

⁷⁶ IFAD. (2023). Education in Rural Areas

⁷⁷ UNESCO. (2022). Rural Education Initiatives

⁷⁸ IFAD. (2023). Capacity Building for Rural Development

⁷⁹ UNDP. (2022). Capacity Development for Agricultural Sustainability

⁸⁰ IFAD. (2023). Technological Innovation in Agriculture

⁸¹ FAO. (2022). Agricultural Technology Trends

⁸² IFAD. (2023). Climate-Smart Agriculture

⁸³ World Economic Forum (WEF). (2022). Agricultural Biotechnologies

⁸⁴ IFAD. (2023). Information and Communication Technology in Agriculture

⁸⁵ FAO. (2022). ICT in Agriculture

⁸⁶ IFAD. (2023). Education in Rural Areas

Role of ICT in Agriculture:

- Online market platforms and mobile services⁸⁷.
- Education and training through digital media⁸⁸.
- Enhancement of supply chains⁸⁹.

7. EDUCATION AND CAPACITY BUILDING

7.1 Education

Education is fundamental for developing the skills and knowledge needed to improve agricultural practices and rural livelihoods⁹⁰. IFAD supports educational initiatives in rural areas⁹¹.

Educational Focus Areas:

- Agricultural training and extension services⁹².
- Literacy and basic education programs⁹³.
- Youth engagement and vocational training⁹⁴.

7.2 Capacity Building

Capacity building involves strengthening the abilities of individuals and institutions to implement effective agricultural practices and policies⁹⁵. IFAD's capacity-building efforts aim to empower rural communities and enhance local governance⁹⁶.

Components of Capacity Building:

- Community organization and leadership development⁹⁷.
- Training in sustainable agriculture⁹⁸.
- Institutional support and policy advocacy⁹⁹.

⁸⁷ UNESCO. (2022). Rural Education Initiatives

⁸⁸ IFAD. (2023). Capacity Building for Rural Development

⁸⁹ UNDP. (2022). Capacity Development for Agricultural Sustainability

⁹⁰ IFAD. (2023). Education in Rural Areas

⁹¹ UNESCO. (2022). Rural Education Initiatives

⁹² IFAD. (2023). Capacity Building for Rural Development

⁹³ UNDP. (2022). Capacity Development for Agricultural Sustainability

⁹⁴ IFAD. (2023). Education in Rural Areas

⁹⁵ IFAD. (2023). Capacity Building for Rural Development

⁹⁶ UNDP. (2022). Capacity Development for Agricultural Sustainability

⁹⁷ IFAD. (2023). Education in Rural Areas

⁹⁸ UNESCO. (2022). Rural Education Initiatives

⁹⁹ IFAD. (2023). Capacity Building for Rural Development

ANNEX 2

PARTNER ASSESSMENT

Content:

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

1. PORTFOLIO OF ONGOING DANISH PARTNERSHIPS WITH IFAD

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

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

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

Bangladesh-Rural Microenterprise Transformation Project (2019-2025)

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

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

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

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

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

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

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

2. LESSONS LEARNED FROM MFA/IFAD PROJECTS

As an integrated part of the project formulation process, MFA representations and desk officers of ongoing partnerships with IFAD were interviewed¹⁰⁰ to establish a brief overview of lessons learned. The interviews were carried out with an emphasis on identifying strengths and weaknesses from their respective point of views and given project and country specific contexts. Consequently, the following lists of strengths and weaknesses may not necessarily be relevant for all representations.

Based on the interviews, identified IFAD strengths include:

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

¹⁰⁰ The following representations and MFA departments were interviewed: Dhaka, Bamako, Rome, Kampala, KLIMA and MIGSTAB’s external MEAL consultant in NIRAS

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

Identified IFAD's weaknesses can be summarised as:

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

3. CONCLUSION OF MOPAN ASSESSMENT

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

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

Main strengths:

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

Areas of improvement:

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

4. PARTNER ASSESSMENT SUMMARY TABLE

Name of Partner	Core business <i>What is the main business, interest and goal of the partner?</i>	Importance <i>How important is the project for the partner's activity-level (Low, medium high)?</i>	Influence <i>How much influence does the partner have over the project (low, medium, high)?</i>	Contribution <i>What will be the partner's main contribution?</i>	Capacity <i>What are the main issues emerging from the assessment of the partner's capacity?</i>	Exit strategy <i>What is the strategy for exiting the partnership?</i>
IFAD	<p>IFAD was established in response to the food crisis of the 1970s with a distinct focus on investing in inclusive and sustainable rural transformation. It aims to transform rural economics, provide essential long-term resilience support in fragile contexts, invest in rural people and small-scale farmers in support them in adapting to climate change and foster private sector engagement to end poverty and food insecurity in developing countries. It focuses on small-scale producers and family farmers, rural workers, women and youth, indigenous peoples, marginalized ethnic groups and victims for disaster and conflict.</p> <p>The main goal of IFAD is contributing to achieving SDG 1 and 2, but contributing to achieving SDG 13 is at the core of the projects funding of ACC.</p>	<p>Medium. The ACC funding is important to achieve the climate action ambitions of IFAD13, but the ACC accounts for only 5-7% of the total core contributions.</p>	<p>High. The ACC funds will become additional top-up climate finance to the future standardized programme of grants, guarantees and loans. ACC funds will thus follow IFAD's standard governance and steering mechanisms.</p>	<p>All steps of the project cycle from country programming, project preparation, implementation, MEAL etc.</p> <p>No management fees will be charged by IFAD; normally the fee is 8%.</p>	<p>See abstracts from MOPAN assessment above. It provides a very positive assessment of several parameters. Issues for improvement are mainly related to project and organisational efficiency, including a need to focus on comparative advantages.</p> <p>Center for Global Development concluded in 2021 that IFAD is the most effective and efficient multilateral development organization ¹⁰¹</p> <p>Lessons learned from Danish support suggests amongst other risks that there could be country level risks of insufficient technical capacity in and/or under-resourced country offices.</p>	<p>The Danish contribution to ACC is a time-bound grant.</p> <p>Future support for IFAD14 and aligned funding mechanisms – if deemed relevant and strategically fitting at that time - could be that of providing core replenishment and/or ACC financing, continued supplementary funding to country-specific or regional projects and programmes.</p>

¹⁰¹ <https://www.cgdev.org/blog/underwriting-ambition-ifads-13th-replenishment>

ANNEX 3 THEORY OF CHANGE AND RESULT FRAMEWORK

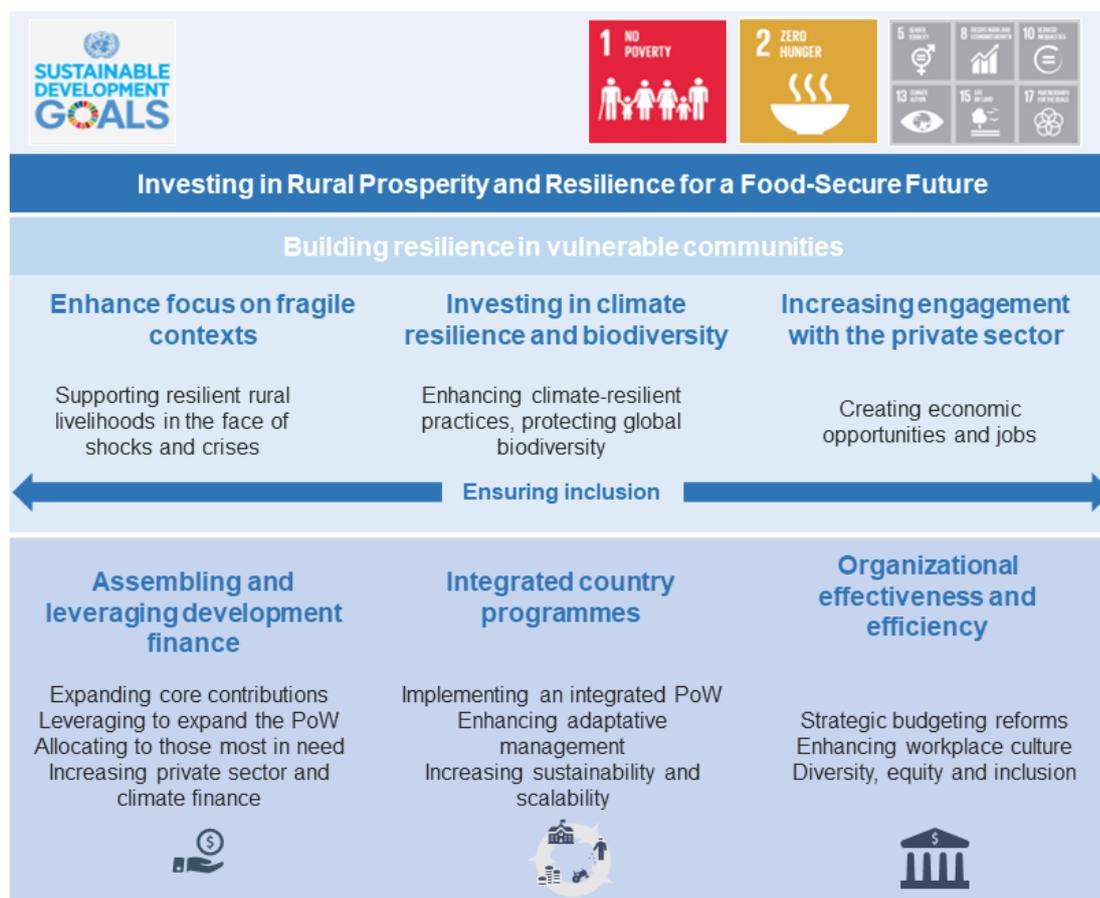
Theory of Change

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

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

The tools and instruments to achieve those results are i) assembling and leveraging development and climate finance for those most in need, ii) formulating and carrying out integrated country programmes characterised by stronger adaptability and enhanced sustainability and scalability while iii) ensuring and improving organisational effectiveness and efficiency. Throughout IFAD’s operation, inclusion is the key principle – illustrated by the arrow spanning across.

Figure: The Theory of Change of IFAD13



Technical results chains or impact pathways are provided at country level programmes and individual projects and thus not presented aggregated in the above Figure. The updated Environment and Climate Change Strategy and Action Plan under preparation will present a more detailed Theory of Change, including IFAD’s climate action.

ToC of that project is that **if** additional climate finance is made available, **then** increased number and types of climate investments can be made, financing various types of activities can take place etc. It could be training in introducing more climate resilient crops and/or crop management, establishing meteorological- and early warning systems, reforestation etc. Those activities would generate outputs such as knowledge and practises through people having been trained. The behavioural change of small-scale farmers and other actors would contribute to climate adaptation. Finally, if organisational effectiveness and efficiency is in place these additional climate investments would enhance climate-resilient practises and protect biodiversity.

Results framework

A preliminary results framework based on the Results Measurement Framework (RMF) of IFAD13, is presented in the table below. The suggested outcome and impact indicators and targets have been selected from the list of mandatory core indicators in RMF and will thus be readily available and reported on in IFAD’s regular progress and impact reporting, including IFAD’s Climate Action Reports¹⁰².

With regards to output indicators, those are not presented at aggregated levels in IFAD’s RFM. It is the ambition to specify a number of outcome and output indicators

Table 2: Preliminary Results Framework

Project name	Danish support to Climate-resilient Agriculture and Food Systems – through the Additional Climate Contributions of IFAD
Project Goal	Contribute to achieving <i>SDG 13 Climate Action, SDG 1 No Poverty and SDG 2 - Zero hunger</i>
Project Development Objective	Increase the climate-resilience of small-scale farmers, with a special focus on Africa
Impact Indicators*	a) Hectares of land brought under climate-resilient management b) Number of people with greater resilience c) Number of people with improved food security
Baseline	a) 1.92 million hectares b) 38 million people c) 58 million
Target 2027	a) <i>(will be tracked)</i> b) 50 million c) 66 million
Outcome 1	<i>Improved climate-resilient practises of small-scale farmers’ production and market access</i>
Outcome indicators*	<i>1.1 Number of households reporting adoption of environmentally sustainable and climate-resilient technologies and practises 1.2 Number of people with improved production 1.3 Number of people with improved market access</i>

¹⁰² See for example IFAD 2022 Climate Action Report, page 40.

Baseline	Year	2021	1.1 237,701 1.2 62 million 1.3 64 million
Target	Year	2027 (IFAD13)	1.1 (will be tracked) ¹⁰³ 1.2 82 million 1.3 84 million

Output 1	People and groups trained in environmentally sustainable and climate-resilient technologies and practises		
Output indicator 1.1	Number of persons trained in production practises and/or technologies		
Baseline	Year		2.5 million
Target	Year	2027	(will be tracked)
Output indicator 1.2	Number of persons provided with climate information services ¹⁰⁴		
Baseline	Year		TBD
Target	Year	2027	TBD
Output indicator 1.3	Groups supported to sustainably manage natural resources and climate-related risks		
Baseline	Year		TBD
Target	Year	2027	TBD

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

*All indicators will be gender and youth disaggregated where relevant

Output 2	Climate finance committed to African countries under IFAD13		
Output indicator 1.1	ACC core funding committed to African countries (USD)		
Baseline	Year		TBD – budget envelope is unknown
Target	Year	2027	TBD

By nature, the targets depend on the actual total amount of funding availed by Member States for IFAD13, including total amount core replenishments as well as total ACC funding. The above targets remain indicative and will be updated accordingly after total resources available are known late 2024.

¹⁰³ No targets will be set for these indicators; IFAD intends to report on their value and on trends where relevant. The explanation is included in <https://webapps.ifad.org/members/repl/13/3/docs/IFAD13-3-R-2-Rev-1-Add-1.pdf>, para 29.

¹⁰⁴ Indicator 3.1.3 is only reported internally within IFAD, but not to Executive Board

ANNEX 4 RISK MANAGEMENT

Contextual risks

Risk Factor	#	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Political instability and security risk (including war and terrorism) in IFAD programme countries may negatively influence planning and implementation of projects	1	Likely in a few countries, unlikely in most countries	Major in few countries, , insignificant in most	IFAD’s updated approach to IFAD engagement in fragile situations guides management and implementation. IFAD aligns to the UN Security Management System – Security Policy Manual	Potential implementation delays in a few countries, but overall minor residual risk.	Only very few cases of the risk materialising in the past. A Key risk indicator (KRI) is in place to capture the number of critical safety and security incidents recorded within the UNDSS Security incident reporting system. The KRI is reported regularly to the Operational and Compliance Risk Committee and twice per year to the Audit Committee within the Corporate Risk Dashboard
Financial market crisis may influence IFAD’s borrowing capacity negatively (interest rates, terms, credit rating)	2	Unlikely	Minor	Strong financial and risk policies adapted to meet changes in financial markets. Continued management focus on ensuring strong capital structure, adequate liquidity buffers.	Decline in financial resources might affect disbursement envelopes and/or commitment capacity	Only limited influence of financial markets on ACC. Solid IFAD credit rating, including credit agencies’ recognition of IFAD’s risk management and

						experienced risk and financial teams.
Financial credit risk resulting in losses (non-performing loans, NPL)	3	Likely	Major if NPLs remain above key thresholds that might impact IFAD's credit rating	Strong monitoring of IFAD's Preferred Credit Status (PCS), which has been historically proven supported by the suspension policy.	Economic and political conditions might result in an increase inability of countries to service their debt or repayments to IFAD.	Key Risk Indicators in place as NPLs to remain below 5%. NPLs are not expected to be beyond 4% over the medium term.

ACC Specific/Programmatic risks

Risk Factor	#	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Programme countries may be less interested in co-financing/- borrowing and thus not utilize IFAD13/ACC funds within project period	4	Unlikely	Minor	IFAD management strongly committed to promoting the ACC globally and locally.	Minor	Incentives built-into the ACC design.
Political down-prioritisation amongst IFAD funding member states, resulting in funding cuts (replenishment/ACC and supplementary).	5	Unlikely	Major	IFAD management strongly committed to promoting the ACC globally and locally.	Minor	Great interest in ACC funding from several member states. Only minor funding gap expected.
Private sector parties unwilling to engage and invest in resilience building projects in programme countries	6	Unlikely	Minor	Involvement of the private sector is a pivotal part of IFAD's strategy and approaches. An updated private sector strategy is expected to provide more proof-of-concepts for private sector climate finance.	Minor	Present experience from private sector climate financing is promising, but more needs to be done to show-case and operationalise.
Fiduciary risks (fraud, corruption) and as well as money laundering, terrorism financing and sanctions related risks in programme countries may negatively influence implementation and reputation	7	Likely in some, unlikely in most	Major	IFAD has in place the Anti-Financial Crime/Integrity Due Diligence Procedures. These procedures involve screening all IFAD counterparties using an industry-standard software and assessing financial crime and integrity risks. As well, IFAD has in place an Anti-Money Laundering and Countering the Financing of Terrorism Policy, which ensures that funds are not used to finance any illegal acts connected with ML and TF. Continued management focus on promoting risk awareness.	Minor	Key Risk Indicators are in place reported regularly to the Operational and Compliance Risk Committee and twice per year to the Audit Committee within the Corporate Risk Dashboard.

Institutional/corporate/operational risks

Risk Factor	#	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Inadequate IFAD staff capacity and capabilities resulting from workforce and people-management issues, including inadequate staffing resources, skills and volume of organisational change (including technical knowledge on climate change and resilience)	8	Unlikely	Major in a few countries, minor in most	Among other factors, IFAD is committed to: <ul style="list-style-type: none"> - Strengthen staff capacity in areas of focus (fragility, climate, private sector) with the Operations Academy and the D2.0 field staff upskilling programme - In line with its Diversity, Equity and Inclusion (DEI Strategy), ensuring that its staffing reflects its inclusive mandate. - Monitor staff engagement and well-being through the staff engagement index, as part of the Global Staff Survey, and through pulse surveys. 	Minor	As part of this decentralization, IFAD is committed to staff upskilling and re-skilling needs will be assessed on a continuous basis in the context of performance management, and learning interventions will be planned accordingly. IFAD will continue to measure and report on targets towards progressively achieving gender parity and geographical representation. During IFAD13, Management will continue to prioritize initiatives that foster a supportive, inclusive and empowering environment for IFAD’s workforce, in line with the findings of the 2023 MOPAN assessment.
Cyber security risks that could impact and compromise IFAD’s ability to function resulting loss of data, interruption and reputational damage.	9	Likely	Major	Cyber security risk has been identified as one of IFAD primary operational risks.. Fit for purpose governance structures have been established, including information security policies, standards, and terms of use, aligning security efforts with organizational objectives and compliance requirements. Dedicated information personnel oversee a secure by design approach in system and application development, integrating security from the start. Regular independent security	Minor	An external independent company, BitSight, provides a continuous cyber security rating of IFAD which is aggregated on a quarterly basis as a Key Risk Indicator reported to the Corporate Risk Dashboard and regularly to the Operational Compliance and Risk Committee and twice per year to the Audit Committee.

				assessments are conducted to validate the effectiveness of controls, complemented by a newly established third-party risk management process.		IFAD continuously maintains an advanced cyber rating, above peer organization comparators.
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ANNEX 5

BUDGET DETAILS

Indicative Budget (DKK million)

	2025	2026	2027	Total
Budget Allocation				
Outcome 1 and 2	50	29	50	129
Unallocated funds		20		20
Review, studies ¹⁰⁵		1		1
Total, DKK million	50	50	50	150

* DKK 100 million allocated on FFL24 §06.34.01.75

** DKK 50 million expected allocated on FFL25 §06.34.01.75

The budget has been developed based on the following details:

1. The total budget amounts to DKK 150 million equivalent to some USD 21 million
2. The budget period will follow the programmatic period 2025-2027 of IFAD 13/ACC
3. Funds will be fully committed to IFAD by 2027.
4. Due to budgetary planning an upfront disbursement will be made late 2024 covering activities for 2025 (DKK 50 million)
5. DKK 20 million corresponding to 13% of the total budget have been assigned as unallocated funds. Depending on an individual assessment they may be used as a contribution to the multi-donor trust fund for the Vision for Adapted Crops and Soils (VACS)
6. No management fee will be charged by IFAD for ACCs. However, if the unallocated funds are used for VACS, management fees may apply.
7. Review and studies are included in one budget line.

¹⁰⁵ Retained in MFA, Copenhagen

ANNEX 6 LIST OF SUPPLEMENTARY MATERIALS

#	Document	Link/embedded document
1	IFAD13 Core Additional Climate Contributions: Enhancing IFAD's climate work	https://www.ifad.org/en/web/knowledge/-/ifad13-core-additional-climate-contributions-enhancing-ifad-climate-work
2	Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources, Annex VII on ACCs in specific (approved by IFAD Governing Council in February 2024)	Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources
3	Centre for Global Development: The Quality of Official Development Assistance (2021)	https://www.cgdev.org/publication/quality-official-development-assistance
4	MOPAN 2024 Assessment of IFAD	https://www.mopanonline.org/assessments/ifad2023/index.htm
5	IFAD Strategic Framework 2016-2025	https://www.ifad.org/en/web/knowledge/-/ifad-strategic-framework-2016-20251
6	IFAD: Climate Action Report 2021	https://www.ifad.org/en/web/knowledge/-/climate-action-report-2021
7	IFAD: Impact Assessment Report 2019-2021	https://www.ifad.org/ifad-impact-assessment-report-2021/
8	IFAD: Report on IFAD Development Effectiveness (RIDE)	https://www.ifad.org/en/-/report-on-ifad-development-effectiveness-2023
9	IFAD Annual Report 2022	https://www.ifad.org/en/web/knowledge/annual-reports
10	IFAD: Taking IFAD's Results and Impact Management System (RIMS) to the Next Level (core indicators)	https://webapps.ifad.org/members/eb/120/docs/EB-2017-120-R-7-Rev-1.pdf
11	IFAD: 2023 Annual Report on the Independent Evaluation (ARIE)	https://ioe.ifad.org/en/w/2023-annual-report-on-the-independent-evaluation-of-ifad
12	IFAD Private Sector Engagement Strategy 2019-2024	https://www.ifad.org/en/-/document/private-sector-strategy
13	IFAD Enterprise Risk Management Policy	https://webapps.ifad.org/members/eb/133/docs/EB-2021-133-R-7.pdf

ANNEX 7

PLAN FOR COMMUNICATION OF RESULTS

IFAD will report on the ACC as an integrated part of its annual reporting as well as its Climate Action Report. Specific results – and lessons learned and best practises – from the ACC will inform IFAD’s own as well as MFAs mid-term review in Q2/3 2026. Since Denmark is not providing core replenishment to IFAD13, it may be necessary – in cooperation with IFAD - to extract relevant information from aggregated reporting. Denmark is in dialogue with other development partners providing ACC funding to enhance IFAD reporting on climate adaptation and ACC outcomes in IFAD’s general reporting as well as strengthening lessons learned within the organisation on climate adaptation. learning requirements.

Progress reported in line with the project’s results framework (outputs and outcomes and lessons learned) will be entered OpenAid annually by KLIMA. It is anticipated that ACC case studies will be provided by IFAD for being communicated through OpenAid.

In addition to OpenAid, KLIMA/MFA will use the information gathered from its support to ACC/IFAD to regularly inform and communicate on various other platforms.

ANNEX 8 PROCESS ACTION PLAN

Action/product	Deadlines	Responsible/involved units
Presentation to the Council for Development Policy	12 September	KLIMA
Minister approval	October	LÆRING
Finance Committee (Aktstykke)	October/November	KLIMA
Signature of agreement with IFAD	November 2024	KLIMA
First Disbursement	December 2024	KLIMA
IFAD Governing Council	February 2025	Embassy Rome
IFAD Executive Board meetings	April, September, December 2025	Embassy Rome/KLIMA
ACC donor meetings	Ad hoc	KLIMA/Embassy Rome
Second disbursement	December 2025	KLIMA
IFAD Annual report 2025	1 st half 2026	KLIMA
IFAD governing Council	February 2026	Embassy Rome
Midterm review	1 st half 2026	KLIMA
Consultations and appraisal of Unallocated funds	2026	KLIMA
IFAD Executive Boards	April, September, December 2026	Embassy Rome/KLIMA
ACC donor meeting	Ad hoc	KLIMA/Embassy Rome
Third disbursement	December 2026	KLIMA
IFAD Annual report 2026	1 st half 2027	KLIMA
IFAD Governing Council	February 2027	Embassy Rome/KLIMA
IFAD Executive Board	April, September, December 2027	Embassy Rome/KLIMA
IFAD final reporting	1 st half 2028	KLIMA