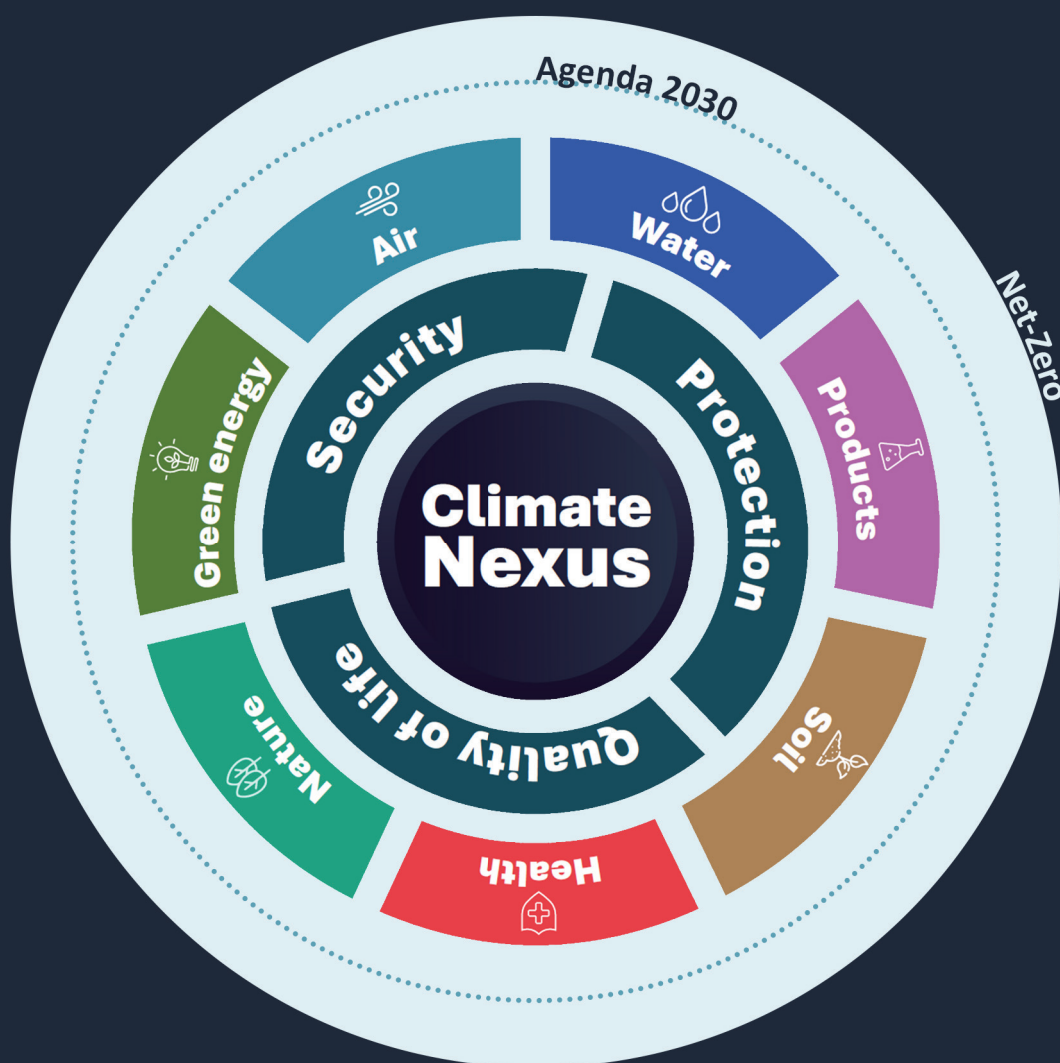


Luxembourg International Climate Finance Strategy 2026-2030



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THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment,
Climate and Biodiversity

Executive Summary

Luxembourg's Approach to International Climate Finance

Climate change is accelerating and intensifying the systemic risks faced by ecosystems, economies and vulnerable communities. As global needs increase, significant implementation gaps remain. In this context, **Luxembourg reaffirms and strengthens its commitment to international climate action** through the Luxembourg International Climate Finance (ICF) Strategy 2026–2030.

Luxembourg is committing **EUR 320 million to international climate finance over the period 2026–2030**, its third strategic cycle, representing a substantial increase on the EUR 220 million allocated for 2021–2025. This is in addition to its ODA commitment and reflects a deliberate, forward-looking choice that is aligned with the Paris Agreement, the Kunming–Montreal Global Biodiversity Framework, and the emerging post-2025 climate finance architecture. The strategy supports a global system in which climate-vulnerable countries can access finance without incurring further debt.

Rooted in a decade of experience, Luxembourg's ICF is recognized for its reliability, agility and long-standing partnerships. The new strategy builds on these strengths while sharpening its strategic focus, improving coherence across programs and concentrating resources where they can generate systemic, long-lasting change. The principles of **additionality, complementarity, and leverage** ensure that public resources target climate outcomes while catalyzing greater investment from the private sector.

Strategic Direction: Vision, Mission and Guiding Principles

Luxembourg's ICF Strategy 2026–2030 is guided by a long-term vision, an action-driven mission and a set of principles that inform decision-making and accountability.

Vision – Luxembourg will drive systemic transformation through trusted, agile and innovative climate finance that restores ecosystems, builds community resilience and drives investments towards a decarbonized and nature-positive future.

Mission – Luxembourg collaborates with partners in a shared ownership model to mobilize public and private climate finance, delivering measurable climate and biodiversity impact through innovative, science-driven and integrated approaches that strengthen resilience and support the transition to a low-emission, climate-resilient future. This transformation follows a nexus approach, advancing fair, inclusive and sustainable global pathways in response to climate change.

Guiding Principles

Integrated action – Climate, nature, and people are addressed through a coherent nexus approach.

Catalytic use of public funds – Public resources reduce risks and unlock larger investments.

Equity and participation – Women, youth, and vulnerable groups play a leadership role and benefit equitably.

Trust and partnership – Cooperation is rooted in shared ownership, long-term engagement, and multilateralism.

Innovation and evidence – Programs rely on data, adaptive learning, and measurable results.

Integrity and safeguards – Strong environmental, social, and governance standards guide all interventions.

Strategic Priorities: Climate Nexus, Thematic Pillars, Delivery Channels and Regional Focus Areas

At the heart of the strategy lies the **Climate Nexus Approach**, which integrates climate action, ecosystem resilience, community well-being, and finance into a single integrated system. This framework ensures that interventions reinforce one another and address the interconnected drivers of climate vulnerability.

The strategy is structured around three **Thematic Pillars** to drive the Theory of Change:

Pillar 1 – Climate and Communities – Strengthening the resilience and adaptive capacity of communities most vulnerable to climate impacts.

Pillar 2 – Climate and Land & Marine Ecosystems – Strengthening the resilience of land & marine ecosystems by conserving, restoring, and managing forests, land, water, and biodiversity.

Pillar 3 – Innovative Finance to Support Climate Investments – Strengthening the financial systems, intermediaries and instruments needed to scale climate investments.

The strategy is deployed via three main **Delivery Channels**: (1) Multilateral Funds, which allow Luxembourg to contribute to climate action at scale, (2) Global Programs, through which Luxembourg makes major or important contributions to joint initiatives and advances priority climate objectives across regions, and (3) Bilateral Programs, through which Luxembourg engages in individual countries and ensures that the Climate Nexus Approach is applied in a practical, locally informed manner.

To deepen impact, the strategy introduces **Regional Focus Areas (RFAs)**, ecosystem-based regions where vulnerability is acute, cross-border challenges are significant, and long-standing partnerships provide a foundation for coordinated action. This regional focus is reinforced by the presence of locally based coordinators. This approach allows for deeper partnerships, more targeted interventions, and greater cumulative impact.

Implementation Framework

A comprehensive **Financial Architecture** ensures that the strategic objectives are translated into effective delivery. It combines structured allocations across Delivery Channels and Regional Focus Areas with a flexible toolbox of grants, blended-finance solutions, and market-based instruments.

A major innovation is the **Luxembourg Climate Nexus Citizen Fund**, which leverages catalytic public capital to mobilize private investment, including from institutional investors and individual citizens, thereby expanding participation in Luxembourg's global climate engagement.

An accompanying **Operationalization Plan** defines processes, responsibilities, and sequencing to ensure that the implementation is effective, coordinated and aligned with the Theory of Change and the Monitoring, Evaluation, and Learning framework.

Appraisal, Performance & Learning Framework

The strategy supports initiatives, programs and projects that are chosen based on clear, coherent and transparent **Eligibility and Selection Criteria**. An **Exclusion List** provides details on all types of activities that must not be supported or otherwise advanced through the strategy; and **Safeguards** define the standards that must be met by all supported activities to avoid harm, respect rights, and deliver positive outcomes.

A **Monitoring, Evaluation and Learning (MEL)** framework ensures that the portfolio delivers measurable progress in terms of resource allocation, strategic engagement and overall outcomes (notably via a number of Key Performance Indicators (KPIs)). Monitoring data feeds into mid-term and final evaluations, as well as different kinds of learning exercises and thus informs adaptive management and increases strategic coherence.

Forward-looking Luxembourg ICF Strategy 2026–2030

Luxembourg's role as a global financial hub continues to shape its international climate leadership. Through its expertise, credibility, and partnerships, the country is well positioned to **expand innovative climate finance solutions**.

The ICF Strategy 2026–2030 articulates a clear, ambitious, and coherent pathway to supporting climate stability, ecosystem integrity, and community well-being through integrated, partnership-driven, and forward-looking climate finance.

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List of Abbreviations

AF	Adaptation Fund
BNCFF	Blue Natural Capital Financing Facility
CCDR	Country Climate and Development Report
DAC	Development Assistance Committee
EEA	European Environment Agency
ESG	Environmental, Social, and Governance
EU	European Union
FRLD	Fund for Responding to Loss and Damage
GCF	Green Climate Fund
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
ICF	Luxembourg's International Climate Finance
KMGBF	Kunming-Montreal Global Biodiversity Framework
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
LLA	Locally Led Adaptation
MDBs	Multilateral Development Banks
MECB	Ministry of the Environment, Climate and Biodiversity of Luxembourg
MEL	Monitoring, Evaluation & Learning
NCQG	New Collective Quantified Goal
NBS	Nature-Based Solutions
NGO	Non-Governmental Organization
ODA	Official Development Assistance
RFA	Regional Focus Area
SDGs	Sustainable Development Goals
SIDS	Small Island Developing States
TA	Technical Assistance
ToC	Theory of Change
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
VC	Venture Capital
WASH	Water, Sanitation and Hygiene
WMO	World Meteorological Organization

Glossary

The strategy is guided by the following key definitions used in the context of this document.

Additionality | Refers to the principle that Luxembourg's international climate finance supports projects and activities that would not proceed without this specific funding, and that such finance is provided in addition to Luxembourg's existing Official Development Assistance (ODA), thereby generating additional climate outcomes.

Catalytic Finance | The strategic use of public interventions to unlock or leverage additional public and private investment for climate and nature objectives, creating a multiplier effect that extends the impact of limited funds.

Climate Nexus Approach | A conceptual and strategic framework that connects climate action, ecosystem conservation, community resilience and finance within one integrated system, reflecting the Rio Conventions. The Climate Nexus describes the relationships between these dimensions – with climate change at its center – and how progress in one area can reinforce advancement in others. It guides Luxembourg's international climate finance commitment.

Delivery Channels | The mechanisms through which Luxembourg's climate finance resources will be allocated and implemented to achieve the strategy's objectives. These channels include Multilateral Funds, Global Programs and Bilateral Programs, with efforts concentrated in Regional Focus Areas (RFAs).

Envelopes | (Budgetary) envelopes refer to the indicative allocation of financial resources of the Luxembourg ICF Strategy 2026–2030 across priority areas, Delivery Channels and RFAs. They provide a structured framework for planning and managing climate finance by setting out how resources are distributed, while allowing for some flexibility to respond to emerging priorities over the strategy's period.

Financial Instruments | The contract-based mechanisms through which public and private capital are provided to support climate objectives. They define how resources are deployed, shared, and repaid, and determine the balance between risk, return, and impact. In the context of climate finance, they comprise three broad categories: funding, blended finance, and market-based instruments.

International Climate Finance (ICF) | Refers to the financial support provided to developing countries with the aim of mitigating and adapting to the adverse effects of climate change, as defined under international frameworks, in particular the United Nations Framework Convention on Climate Change (UNFCCC). Based on the principles of multilateralism, cooperation, and common but differentiated responsibilities, ICF supports the implementation of global climate commitments and collective climate action. ICF can be provided in the form of multilateral support (e.g. Green Climate Fund), global support and bilateral support (directly to partner countries). ICF is defined by its primary objective: delivering climate impact.

Land- and Seascape Approach | A spatial and operational framework that applies the Climate Nexus approach in practice within defined ecological and socio-economic areas, such as urban environments and watersheds, coastal zones or marine ecosystems. The land- and seascape approach focuses on how stakeholders coordinate across sectors and boundaries to balance environmental, social and economic objectives. It turns the conceptual integration of the Climate Nexus approach into coordinated territory-based action that strengthens resilience and sustainability across ecosystems and communities.

Official Development Assistance (ODA) | Refers to government aid designed to promote the economic development and welfare of developing countries. As defined by the OECD Development Assistance Committee (DAC), ODA consists of concessional public flows provided by official agencies, including state and local governments, with the primary objective of supporting sustainable development and poverty reduction. ODA may be delivered through bilateral or multilateral channels and can support a wide range of development, humanitarian, and capacity-building activities.

Regional Focus Areas (RFA) | For the Luxembourg ICF Strategy 2026–2030, Regional Focus Areas (RFAs) are priority ecosystems and geographic groupings where Luxembourg concentrates its international climate finance to maximize impact. RFAs target climate-vulnerable territories with shared ecological challenges, selected based on ecosystem needs, existing partnerships, Luxembourg's presence and capacities, and strong potential for coordinated, cross-border climate action. The identification of RFAs does not constitute a requirement for project applicants to locate or design their interventions exclusively within these territories. RFAs indicate where Luxembourg will place particular attention and seek to foster deeper coordination and integrated action, but project proposals outside these areas remain eligible where they align with the objectives of the ICF Strategy.

Resilience | The capacity of communities, ecosystems, and economies to anticipate, absorb, adapt to, and recover from climate impacts while maintaining essential functions and improving adaptive capacity over time.

Systemic Transformation | A long-term process of structural change across economic, social, and environmental systems that shifts development pathways towards sustainability and resilience. It involves models of governance, finance, and partnership capable of addressing interconnected climate challenges.

Vulnerable groups | For the Luxembourg ICF Strategy 2026–2030, vulnerable groups are individuals or communities that experience heightened exposure to and limited capacity to cope with the impacts of climate change. This includes, *inter alia*, women and girls, youth, Indigenous Peoples and Local Communities, persons with disabilities, and other groups facing structural inequalities.

1. Introduction & Context

An Evolving Climate Challenge and the Role of International Climate Finance

Climate change is creating increasingly urgent challenges that require integrated, data-driven, and territory-based responses. Adverse impacts of climate change are accelerating beyond previously anticipated thresholds and scenarios, while interacting with and amplifying other global challenges such as biodiversity loss and ecosystem degradation as emphasized in the Kunming-Montreal Global Biodiversity Framework (KMGBF), food and water insecurity, floods and droughts, inequality, and macroeconomic vulnerability. As a result, approaches addressing these impacts have evolved to emphasize a balanced and integrated response to increase resilience, provide more reliable long-term international climate finance (ICF), and support the Climate Nexus approach. This is underscored by increased commitments in international fora, specifically those made by the United Nations Framework Convention on Climate Change (UNFCCC) where international climate finance has become a core enabler of integrated action in developing countries.

Mobilization of ICF has been at the forefront of addressing the adverse effects of climate change as shown by the scaling of financial pledges under the UNFCCC umbrella. At COP15 in Copenhagen in 2009, developed countries first committed to mobilizing USD 100 billion per year by 2020 to support climate action in developing countries, establishing a long-term collective finance benchmark. This commitment was reaffirmed and extended under the Paris Agreement adopted at COP21 in 2015, where Parties agreed to maintain the USD 100 billion annual goal through 2025 and to define a New Collective Quantified Goal (NCQG) prior to that date, with a floor of at least USD 100 billion per year. Between 2022 and 2024, an ad hoc work program and technical expert dialogues informed negotiations on the future scale, scope, and quality of climate finance. These discussions culminated at COP29 in 2024, with the adoption of a new goal calling on developed countries to take the lead in mobilizing at least USD 300 billion annually by 2035, as part of a broader ambition to scale climate finance to USD 1.3 trillion per year. COP30 reiterated the annual target to mobilize USD 1.3 trillion annually by 2035 for climate action as well as added the aim to triple adaptation finance by 2035 and operationalize the loss and damage fund.

Luxembourg's Unique Approach to International Climate Finance

In the wake of the 2015 Paris Agreement, Luxembourg decided to develop a dedicated international climate finance strategy and budget that is additional to its Official Development Assistance (ODA), recognizing that climate change represents a global, systemic challenge that requires financial efforts beyond traditional development cooperation. By establishing a separate international climate finance envelope, Luxembourg contributed to the collective goal under the Paris Agreement of mobilizing USD 100 billion per year in climate finance for developing countries, while ensuring transparency, additionality and strategic alignment with global climate objectives. This approach enables Luxembourg to leverage public finance, catalyze private capital and maximize impact in line with the objectives of the Paris Agreement.

Luxembourg's unique approach lies in the fact that the committed finances were new and additional to existing national ODA commitments. In practice, this means that funding was and will continue to be provided on the principle of complementarity and leverage. International climate finance is, therefore, a deliberate and additional effort mandated by Government to address the specific and growing challenges posed by climate change. This separation guarantees a dedicated focus on climate-related objectives – mitigation, adaptation, resilience, and nature-based solutions, while safeguarding the integrity and predictability of Luxembourg's ODA commitments. At the same time, climate finance is not implemented in isolation: it is strategically aligned with existing ODA activities, embedded in wider ecological and development frameworks, and leverages Luxembourg's comparative advantage as a global financial center for scaling impact.

Luxembourg is therefore well-positioned to help tackle intensifying climate-related challenges, having demonstrated a long-standing commitment to supporting countries most affected by climate change. Luxembourg can build on its approach of co-creating climate, nature, and

sustainable transition solutions grounded in partnership and shared ownership to further scale its ICF commitments. Since 2014, Luxembourg has progressively scaled both the volume and strategic focus of its international climate finance, with particular attention to Least Developed Countries (LDCs) and Small Island Developing States (SIDS). Furthermore, a review of the Luxembourg ICF Strategy 2021–2025 showed that Luxembourg’s support has been (1) well aligned with local needs, (2) designed through community-led and participatory processes, and (3) implemented in collaboration with trusted NGOs, based both in Luxembourg and in partner countries, Luxembourg’s bilateral cooperation implementing entities, public institutions, as well as other organizations that have an established operational presence in partner countries or thematic areas.

Luxembourg’s Lessons Learned to Date and the Way forward

Luxembourg’s ICF Strategy 2026–2030, the third iteration of Luxembourg’s international climate finance framework, reflects both the lessons learned and the continued scaling of ambition.

Since 2014, Luxembourg has played a significant role in supporting climate action in developing countries. Between 2014 and 2020, Luxembourg committed EUR 120 million in international climate finance to support climate change mitigation, adaptation, and land-use action (including Reduced Emissions from Deforestation and Forest Degradation (REDD+)) in developing countries.

Luxembourg’s ICF Strategy 2021–2025 built on this foundation, increasing allocations to EUR 220 million and maintaining a balanced focus between adaptation and mitigation.

Funding supported a broad range of projects, from ecosystem protection and climate-resilient agriculture to community-based adaptation and capacity building. Cross-cutting considerations such as gender, livelihoods, and human rights were integrated throughout, and the use of innovative financing mechanisms helped expand the reach and sustainability of interventions. The use of innovative financing mechanisms was also facilitated by the Luxembourg-EIB Climate Finance Platform¹ collaboration which allowed to further develop Luxembourg’s climate investment fund. Additionally, the Global Trust Fund on Sustainable Finance Instruments (in collaboration with the Global Green Growth Institute (GGGI)) contributed to furthering Luxembourg’s sustainable bond ecosystem. Importantly, evaluation of this portfolio highlighted the value of Luxembourg’s flexible and locally responsive approach, while identifying opportunities to strengthen results tracking and impact measurement – lessons which inform Luxembourg’s ICF Strategy 2026–2030.

Ambition for the Luxembourg ICF Strategy 2026–2030

Building on its strong track record, the Luxembourg ICF Strategy 2026–2030 consolidates Luxembourg’s commitment to partnerships, innovation, and long-term engagement in international climate finance. While maintaining these core values, the Luxembourg ICF Strategy 2026–2030 scales Luxembourg’s efforts and commitments by enhancing integration and increasing strategic coherence to maximize impact. Over the next five years, Luxembourg will channel EUR 320 million in climate finance, focusing resources where they can generate systemic and lasting transformation, adapting instruments to evolving global conditions, and strengthening collaboration with partners and civil society.

Central to this ambition is Luxembourg’s Climate Nexus approach. As will be explained in the following pages, the Climate Nexus approach recognizes that climate action, ecosystem conservation, community resilience and finance are interconnected and must be addressed through an integrated approach reflecting the synergies across the Rio Conventions. At an operational level, the Climate Nexus approach is applied across Luxembourg’s climate finance portfolio through engagement with partner countries and implementing institutions. It does not constitute a fixed set of requirements, but rather a common framework that is applied in response to partner countries’ needs and priorities and institutional contexts as specified in Nationally Determined Contributions (NDCs) under the Paris

¹ European Investment Bank (2025). [Luxembourg-EIB Climate Finance Platform](#). The Luxembourg-EIB Climate Finance Platform supports climate change mitigation and adaptation projects around the world using innovative, high-impact financing solutions that attract private sector investors. By financing junior tranches in layered funds, the Platform provides higher-risk equity investments that help crowd in additional investors for climate mitigation and adaptation projects in emerging markets.

Agreement. The following chapters set out how the Climate Nexus approach guides the overall Strategy.

In addition, Luxembourg will continue to prioritize integrated, data-driven, and territory-based action to strengthen resilience where it is needed, based on global developments, currently reshaping how climate commitments are delivered. Notably, this includes the current NCQG agreed at COP29: a goal to mobilize at least USD 300 billion annually by 2035, led by developed countries, and a call to scale up financing to at least USD 1.3 trillion annually by 2035 from all sources. In addition, new cooperative and market mechanisms under Article 6 of the Paris Agreement and the operationalization of the Loss and Damage Fund highlight new opportunities to finance climate action that is ambitious, locally relevant, and integrated across mitigation, adaptation, resilience, just transition and nature-based solutions. Within this evolving landscape, Luxembourg's active participation at COP30, including the debut of a national pavilion, provided an opportunity to highlight its international commitments and to deepen global partnerships.

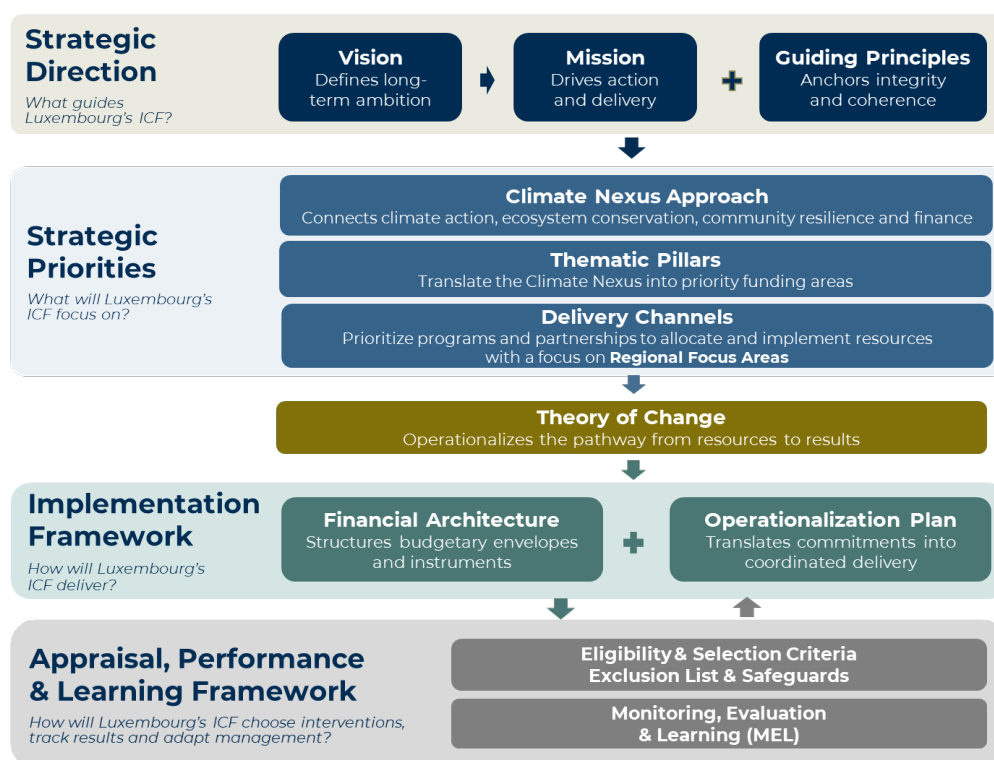
The Luxembourg ICF Strategy 2026–2030 was developed under the auspices of the ICF team of the MECB in the framework of a stakeholder engagement process, and in consultancy with Trinomics. Internal exchanges took place between August and November 2025 on the components of the strategy. A co-creation workshop held in September in Luxembourg was key in shaping the fundamentals of the strategic framework. This workshop was followed by a series of further technical discussions, culminating in an interministerial meeting with the participation of the Ministry of Foreign and European Affairs, the Ministry of Finance, the Budget Office, and the President of the Climate and Energy Fund Committee. Additional consultations (e.g. with NGOs and other stakeholders) followed to refine and finalize the strategy.

2. Architecture of the Luxembourg ICF Strategy 2026–2030

This chapter outlines the overall structure of the Luxembourg ICF Strategy 2026–2030 and how its key components fit together to guide action, financing, and learning.

As illustrated in Figure 2-1, the **Strategic Direction** combines a long-term Vision, an action-oriented Mission, as well as Guiding Principles to ensure ambition, delivery, integrity, and policy coherence. **Strategic Priorities** define what Luxembourg's ICF focuses on, centered on the Climate Nexus approach and reflected across the Thematic Pillars, Delivery Channels and RFAs. The Theory of Change (Impact Framework) sits between strategy and delivery, translating the Strategic Priorities into a coherent pathway from resources to results. The **Implementation Framework** specifies how the Strategic Priorities are put into practice, combining the Financial Architecture (budgetary envelopes and instruments) with the Operationalization Plan (coordination, roles, and implementation processes). The **Performance & Learning Framework** is continuously assessed through Monitoring, Evaluation and Learning (MEL). Each element of this architecture is elaborated in the chapters that follow, which are organized accordingly.

Figure 2-1 Overall Architecture of the Luxembourg ICF Strategy 2026–2030



The chapters that follow are structured to reflect this architecture:

- **Chapter 3:** Strategic Direction: Vision, Mission and Guiding Principles
- **Chapter 4:** Strategic Priorities introduces the Climate Nexus approach, central to the strategy, the Thematic Pillars, Delivery Channels, and Theory of Change
- **Chapter 5:** Financing Architecture
- **Chapter 6:** Operationalization and
- **Chapter 7:** Monitoring, Evaluation and Learning (MEL).

3. Strategic Direction: Vision, Mission and Guiding Principles

The Vision, Mission and Guiding Principles set out the overarching direction of Luxembourg's ICF Strategy 2026–2030. Together, they define Luxembourg's ICF ambition, clarify its role and its approach, and establish the core values that guide decisions and implementation.

3.1 A long-term Vision

“Luxembourg is committed to driving systemic transformation through trusted, agile and innovative climate finance that restores ecosystems, empowers people and strengthens the resilience of economies.”

The Vision reflects leadership, innovation and credibility as defining elements of Luxembourg's international climate finance engagement. It recognizes that this strategy will address climate change through the Climate Nexus Approach that connects climate action, ecosystem conservation and restoration, community resilience and finance within one integrated system. This Vision replaces traditional distinctions between mitigation and adaptation with a holistic perspective on transformation, aimed at reducing vulnerability and improving well-being through climate action. Progress depends on linking ecosystems and communities with well-regulated markets so that actions in one area reinforce outcomes in other areas.

It emphasizes trust, agility and partnership as strengths, positioning Luxembourg as a reliable and forward-looking actor that bridges ambition and delivery. By combining innovation with purpose, the Vision sets a direction for international climate finance that supports fair, inclusive and sustainable development.

3.2 An action-oriented Mission

“Luxembourg works in shared ownership with partners to mobilize public and private climate finance and deliver measurable climate and biodiversity impact through innovative, science-driven and integrated approaches that strengthen resilience and support the transition to a low-emission, climate-resilient future. This transformation follows a Climate Nexus Approach, advancing fair, inclusive and sustainable global pathways in response to climate change.”

The Mission defines how the strategy will put its Vision into practice. It highlights action through trusted partnerships, mobilizing finance where it can make a lasting difference and support solutions that combine innovation, evidence and inclusion. The approach links people, nature and finance, ensuring that efforts to reduce emissions and build resilience reinforce one another.

It reflects a balanced focus on mitigation and adaptation and places transparency, equity, inclusive ownership, and accountability at the center of implementation. By acting as a catalyst and multiplier, Luxembourg uses its expertise and credibility to connect public and private actors, turning activities and financial resources into measurable outcomes that contribute to a fair and sustainable global transition.

3.3 Guiding Principles

The Guiding Principles provide a common reference for decision-making, partnerships and accountability, ensuring that actions are coherent, transparent and results oriented. They underpin the entire approach and are an integral part of Luxembourg's ICF Strategy 2026–2030:

- **Integrated action** | Climate, nature and people are addressed together through a nexus approach that connects ecosystems, communities and finance in mutually reinforcing ways.

- **Catalytic use of public funds** | Public resources are used strategically to unlock additional finance, reduce risk and build the conditions for sustainable investment at scale.
- **Equity and participation** | Climate action is inclusive and participatory, ensuring that vulnerable groups have a leadership role and benefit equitably from climate finance.
- **Trust and partnership** | Cooperation is grounded in shared ownership, long-term engagement and respect for partner priorities to ensure a country-driven approach, building confidence and effectiveness. Multilateralism remains a cornerstone of this approach, recognizing that effective and lasting climate action depends on cooperation through global, regional and local partnerships.
- **Innovation and evidence** | Decisions and instruments are guided by data, learning and adaptive management, fostering needs-based and innovative approaches that deliver measurable results.
- **Integrity and safeguards** | High environmental, social and governance standards are upheld to ensure that all interventions are transparent, accountable and aligned with international commitments.

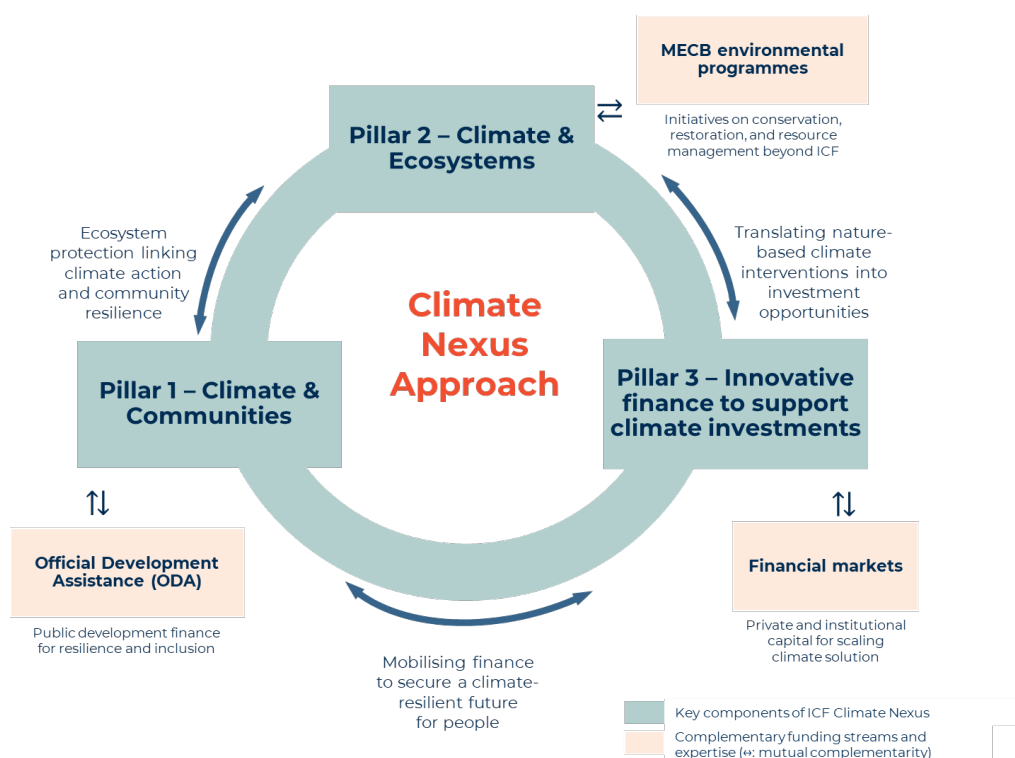
4.Strategic Priorities

This chapter lays out the central architecture of the Luxembourg ICF Strategy 2026–2030, introducing the Climate Nexus approach, the Thematic Pillars, the Delivery Channels, the Regional Focus Areas and the overall Theory of Change.

4.1 Connecting the dots: The Climate Nexus Approach of Luxembourg’s International Climate Finance Strategy

The Luxembourg ICF Strategy 2026-2030 adopts a **Climate Nexus Approach** that connects climate action, ecosystem conservation and restoration, community resilience and finance within one integrated system, reflecting the Rio Conventions. Instead of treating them as separate dimensions, Luxembourg takes a holistic approach.

Figure 4-1 -The Climate Nexus Approach of the Luxembourg ICF Strategy 2026–2030



The Climate Nexus Approach builds on three Thematic Pillars that translate the Vision into practice:

- **Pillar 1 - Climate & Communities:** Focuses on strengthening the resilience and adaptive capacity of people and communities, particularly those most vulnerable to climate impacts, *including from climate-related disasters*. It emphasizes inclusion, equity, and the social dimension of climate action.
- **Pillar 2 - Climate & Ecosystems:** Centers on conserving, restoring and managing ecosystems & natural assets that underpin both mitigation and adaptation. It promotes nature-based solutions that contribute to climate resilience, biodiversity conservation and land restoration, improved water management and sustainable resource use in line with the KMGBF.
- **Pillar 3 - Innovative finance to support climate investments:** Concentrates on developing and scaling financial mechanisms that can mobilize additional public and private investment for climate action, while greening financial systems, *addressing financing needs from climate related disasters*, and promoting sustainable markets.

The link between Pillar 1 and Pillar 2 highlights that resilient communities depend on healthy ecosystems, while local engagement is essential for sustained protection, conservation and restoration efforts. The connection between Pillar 2 and Pillar 3 represents the process of translating nature-based solutions and interventions into investment opportunities, aligning environmental integrity with financial innovation. The link from Pillar 3 back to Pillar 1 demonstrates how mobilized finance can be channeled to local action, closing the loop between global investment and community impact.

At the operational level, the Climate Nexus Approach serves as a conceptual lens guiding Luxembourg's climate finance activities. The extent to which the different Pillars will be reflected within a specific program or project will be determined on a case-by-case basis, through dialogue with partners and informed judgement on where integrated perspectives add the greatest value. Not all programs or projects are expected to address all Thematic Pillars simultaneously. Depending on the funding channel, instrument and engagement modality, application of the Climate Nexus Approach may range from systematic screening of the activities under each Thematic Pillar to more integrated interventions that deliberately combine multiple objectives within a single program or investment. The depth of the Nexus application therefore varies, guided by partner dialogue and an assessment of where integrated approaches promote synergies, manage trade-offs and address structural constraints. In this way, the Climate Nexus Approach supports context-specific solutions that strengthen coherence across climate action, ecosystem conservation, community resilience and finance outcomes, while remaining aligned with partner priorities and ensuring continuity with Luxembourg's previous climate finance strategies.

Outside the circle in Figure 4-1, **Luxembourg's Official Development Assistance (ODA), financial markets, and other MECB environmental programs are positioned as additional sources of expertise and funding.** ODA represents Luxembourg's long-standing public commitment to inclusive development and resilience. The country's well-established financial markets provide the network and technical capacity needed to expand and scale successful ICF interventions. Similarly, other environmental programs within the MECB strengthen the Climate Nexus approach by supporting conservation, restoration, and sustainable resource management beyond the scope of ICF. Luxembourg's international climate finance is fully additional to these complementary funding streams and expertise.

Complementarity with ODA is central to Luxembourg's ICF, ensuring that the latter remains clearly additional to its ODA commitment and focuses specifically on climate objectives. While both ODA and ICF share a common goal in solidarity and sustainable development, they serve distinct purposes. The main objective of Luxembourg's development cooperation is to *contribute* to the eradication of extreme poverty and the promotion of economic, social and environmental sustainability.² The ICF, by contrast, directs targeted resources towards tackling climate change and its repercussions.

4.2 Thematic Pillars

The Strategic Priorities of the Luxembourg ICF Strategy 2026–2030 are structured around three Thematic Pillars that translate the Climate Nexus Approach into concrete, priority areas for funding.

Building on the lessons learned from the previous Luxembourg ICF Strategy 2021-2025, the new three-pillar structure provides clearer direction for this new phase of Luxembourg's ICF. The previous strategy spanned seven thematic areas. This diversity showed Luxembourg's ICF broad engagement and ambition, yet an evaluation of the Luxembourg ICF Strategy 2021-2025 also highlighted the need to narrow down the thematic focus to achieve more measurable outcomes. The new three-pillar structure addresses this by creating a clearer framework that links priorities with outcomes.

² [Luxembourg's General Development Cooperation Strategy](#). – The Road to 2030

Each Thematic Pillar encompasses a set of activity themes that guide implementation and provide a practical way to organize funding, partnerships, and results. This will set a better and more robust framework for how the Luxembourg ICF Strategy 2026-2030 is planned and reported in the coming years. As priorities and opportunities evolve, the activities³ under each pillar may be adjusted or expanded, but the three-pillar structure itself will remain the foundation of the strategy.

Pillar 1 – Climate & Communities	Pillar 2 – Climate & Ecosystems	Pillar 3 – Innovative Finance to Support Climate Investments
Strengthening the resilience and adaptive capacity of people most vulnerable to climate impacts. Activity themes • Low-emission economic pathways • Circular economies to reduce emissions • Long-term resilience planning • Climate- risk reduction (incl. climate-resilient infrastructure, early-warning, anticipatory action) • Climate-smart techniques, livelihoods and sustainable agriculture • Inclusive climate action with a focus on vulnerable groups • Access to climate-relevant technologies	Strengthening the resilience of land and marine ecosystems by conserving, restoring, and managing forests, land, water, and biodiversity in line with the KMGBF. Activity themes • Nature-based solutions supporting climate resilience • Forest conservation and restoration as climate measures • Community-led resource governance for climate resilience • Sustainable land use and landscape management • Biodiversity conservation and restoration • Conservation, restoration and use of terrestrial, freshwater, coastal, and marine areas	Strengthening the financial systems and instruments needed to scale climate investments. Activity themes • Sustainable financial ecosystems enabling climate-resilience and low-emission solutions • Climate finance instruments • Carbon pricing and carbon markets, including voluntary markets with safeguards (including Art. 6 support) • Access to inclusive finance and de-risking tools for climate-resilient economies and value chains • Climate microfinance for vulnerable groups

4.3 Delivery Channels

The Luxembourg ICF Strategy 2026–2030 will be delivered through three main Delivery Channels: Multilateral Funds, Global Programs and Bilateral Programs. Activities may be undertaken globally; however, particular attention will be given to the Regional Focus Areas (RFAs). This will help align global, multilateral and bilateral interventions with local needs and translate them into targeted regional action in specific climate-vulnerable ecosystems.

4.3.0 Multilateral Funds

The Luxembourg ICF Strategy 2026–2030 positions multilateral climate funds as a key delivery channel of the Climate Nexus approach, enabling Luxembourg to contribute to climate action at scale, while ensuring continuity with its previous strategy. Through this channel, Luxembourg supports integrated action, aligned with the objectives of the Paris Agreement and international climate governance.

While project selection and allocation decisions remain the responsibility of the multilateral funds, Luxembourg engages actively in their governance and in policy dialogue. This engagement will allow Luxembourg to contribute to strategic discussions, share experience from its bilateral and locally led action, and advocate for approaches consistent with the Climate Nexus Approach. Participation in boards, committees, and coordination will enable Luxembourg to anticipate emerging priorities and prepare for evolving commitments arising from international discussions. Extra attention will be

³ Operational definitions for all activities will be provided in the application materials, ensuring applicants have a clear and uniform reference.

given to implementation in the Regional Focus Areas and synergies will be encouraged locally when possible.

4.3.1 Global Programs

Global Programs consist of strategic partnerships and thematic programs through which Luxembourg engages at global or at multi-country level, often as a major or core contributor, to advance priority climate objectives across regions. These programs allow Luxembourg to support transformational and innovative approaches that are aligned with international climate agendas, while ensuring continuity with the priorities and partnerships established under its previous strategy.

Under the Luxembourg ICF Strategy 2026–2030, Global Programs are a key Delivery Channel for advancing the Climate Nexus Approach. Through these programs, Luxembourg supports partnerships and initiatives, reinforcing interlinkages between the three Thematic Pillars. While Luxembourg does not manage individual projects, its role as a committed and often significant contributor enables active engagement at the program level, including strategic dialogue, governance participation (where applicable), and close collaboration with partners. Global and Multilateral Programs also provide an important mechanism to ensure strategic continuity and learning, building on long-standing collaborations. As above, extra attention will be given to implementation in the Regional Focus Areas and synergies will be encouraged locally when possible.

4.3.2 Bilateral Programs

Bilateral programs constitute another core Delivery Channel of the Luxembourg ICF Strategy 2026-2030 and include any support of interventions advancing priority climate objectives in individual countries, such as projects, implemented by Luxembourg-based NGOs, by the Luxembourg development cooperation agency and/ or in the framework of other strategic collaborations.

Delivery will be carried out primarily through LuxDev and Luxembourg-supported NGOs, supported by a strong network of local in-country coordinators. These actors will play a central role in operationalizing the Nexus on the ground by connecting climate adaptation, mitigation, biodiversity, and livelihood interventions within a given territory. Through this bilateral delivery channel, Luxembourg ensures that the Climate Nexus Approach is applied in a practical, locally informed, country-driven, and flexible manner, complementing engagement via multilateral funds and global programs with on-the-ground results. Operational arrangements will be detailed in internal operationalization documents.

While ensuring continuity with engagements made under the previous strategy, the new Luxembourg ICF Strategy 2026-2030 will foster concentration of efforts of bilateral programs in so-called Regional Focus Areas (RFAs) and combine, wherever possible, bilateral, multilateral and global efforts within these RFAs to maximize their impact. In this way, the Strategic Priorities of the new Luxembourg ICF Strategy 2026-2030 will be translated into territory-based, integrated action in specific climate-vulnerable ecosystems.

4.4 Regional Focus Areas (RFAs)

The Regional Focus Areas (RFAs) of the ICF Strategy 2026-2030 are selected based on ecosystem needs, institutional capacities, and long-standing partnerships, ensuring continuity with previous strategies while enabling further coherent responses to shared climate challenges across landscapes and seascapes. Building on lessons learned, the RFAs consist of climate-vulnerable ecosystems where cooperation can deliver significant cross-border benefits. The focus of the Luxembourg ICF Strategy 2026-2030 will be on territories which combine the following:

- High climate and ecosystem vulnerability,
- Effective Luxembourg engagement, which may be organized at the national or regional level and does not require a physical Luxembourg presence in every country;
- Alignment with strategic partners;
- Strong potential for partnerships with local, regional, and multilateral actors; to ensure that ICF support is targeted and country-driven
- Existing projects or initiatives.

Within each RFA, the new Luxembourg ICF Strategy 2026-2030 will foster closer cooperation among partners, active in the same territories, enabling them to combine and complement their respective skills, expertise, and resources in support of integrated outcomes in line with the Climate Nexus approach.

Implementation will be supported by a strong network of local in-country coordinators. These actors will play a central role in operationalizing the Climate Nexus approach on the ground within a given territory. In-country coordinators establish the connection with local and national decision-makers, so Luxembourg's ICF addresses the needs and priorities of developing country Parties for the implementation of the Paris Agreement, as identified in country-driven strategies and instruments, such as biennial transparency reports, NDCs and national adaptation plans. In this way, Luxembourg ensures that the Climate Nexus approach is applied in a practical, locally informed, and flexible manner, combining bilateral, multilateral and global engagement and generating on-the-ground results.

Importantly, the identification of Regional Focus Areas does not constitute a requirement for project applicants to locate or design their interventions exclusively within these territories. RFAs indicate where Luxembourg will place particular attention and seek to foster deeper coordination and integrated action, but project proposals outside these areas remain eligible where they align with the objectives of the ICF Strategy.

In-country coordinators in RFAs

Luxembourg's climate finance engagement within each RFA will rely on the presence and expertise of in-country coordinators. These actors will be supported, where necessary, by Luxembourg's diplomatic representatives and other partners onsite, such as multilateral agencies or NGOs and will closely collaborate with the ICF team in Luxembourg. This engagement will be pursued, based on climate impact considerations, independent of Luxembourg ODA presence.

Figure 4-2 Regional Focus Areas (RFAs)

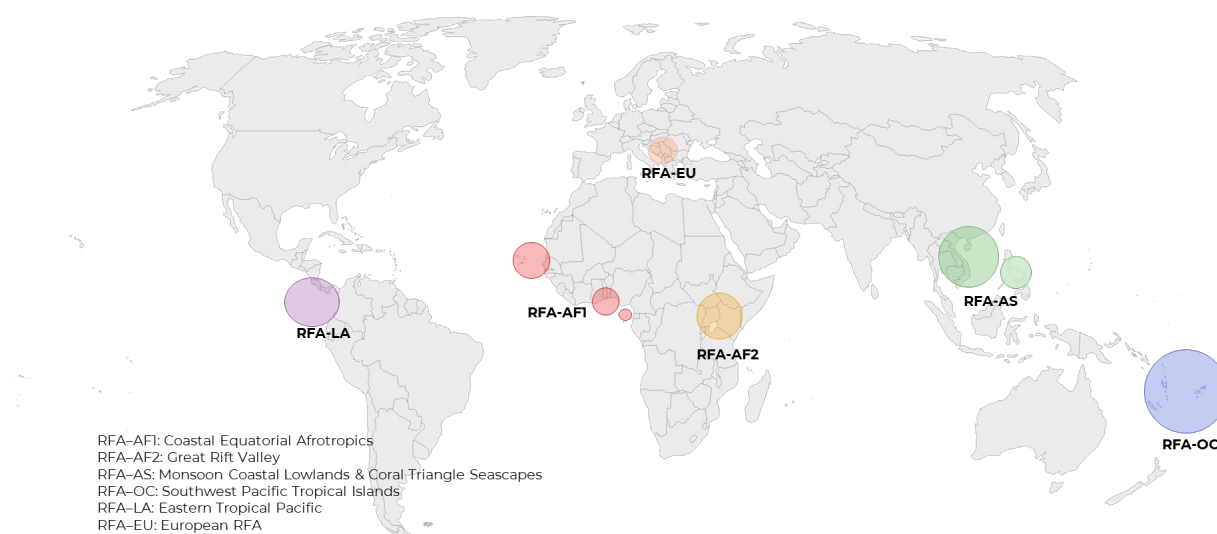


Figure 4-2 indicates the location of ecosystems relevant to the RFAs that are based on ecosystems which span across subregions in multiple countries. Highlighted countries indicate the location of RFAs and should not be interpreted as country targeting, as the focus of intervention is on ecosystems rather than on national boundaries.

RFA-AF1⁴ (Coastal Equatorial Tropics across Western Africa, e.g. Cabo Verde, Senegal, Benin, São Tomé & Príncipe)

RFA-AF2 (Great Rift Valley, e.g. Kenya, Rwanda)

RFA-AS (Monsoon Coastal Lowlands & Coral Triangle Seascapes in the Western Pacific, e.g. Vietnam, the Philippines)

RFA-OC (Southwest Pacific Tropical Islands, e.g. Vanuatu, Fiji)

RFA-LA (Eastern Tropical Pacific Ecosystems, in Latin America, e.g. Costa Rica, Colombia, Ecuador); and

RFA-EU (Mixed Mediterranean and Mountain Forest Ecosystems in the Western Balkans and neighboring regions, e.g. Kosovo, Montenegro, North Macedonia).

⁴ Countries listed under each Regional Focus Area (RFA) are examples only and do not constitute an exhaustive or prescriptive list.

4.5 Theory of Change: Framework for Impact

The previous sections of this Chapter outlined the Climate Nexus Approach, the Thematic Pillars, the Delivery Channels and the Regional Focus Areas as key elements of the Luxembourg ICF Strategy 2026–2030. Together, these set the conceptual foundation for how Luxembourg’s ICF intends to achieve long-term impact (shown at the top of Figure 4-3) in line with its Vision and Mission.

Figure 4-3 Theory of Change of the Luxembourg ICF Strategy 2026–2030

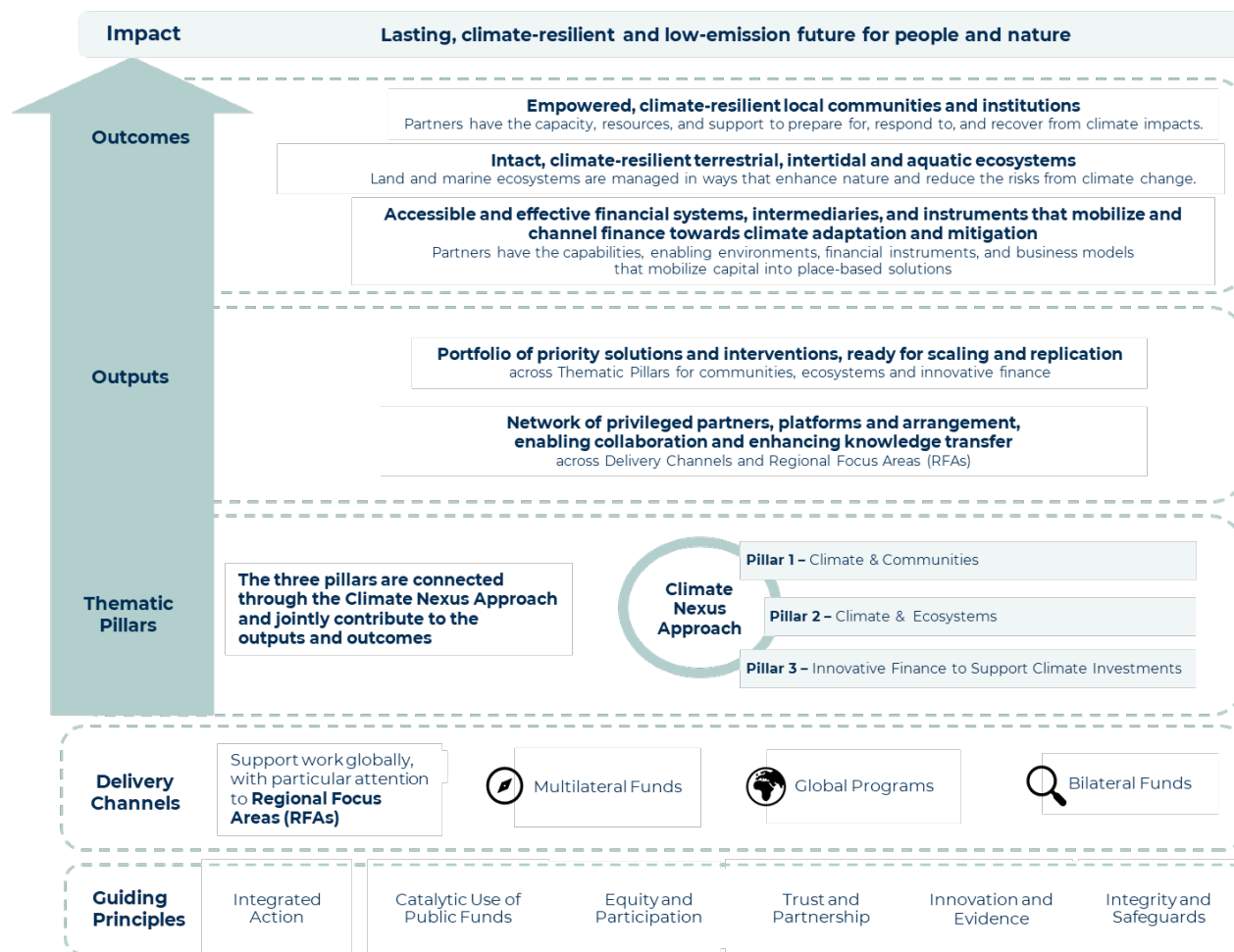


Figure 4-3 illustrates how the Climate Nexus Approach shapes the underlying thinking, how integrated action under the three Thematic Pillars leads to tangible outputs (what the strategy will *produce*), how these outputs translate into outcomes (the changes it aims to *enable*), and how these in turn contribute to the overarching impact at the top.

Figure 4-3 reads from bottom to top, showing how the foundation of the strategy leads to the long-term impact of the Luxembourg ICF Strategy 2026–2030:

- At the very bottom of the figure are the **Guiding Principles** (introduced in section 3.3). They apply across all Delivery Channels, Regional Focus Areas and Thematic Pillars. They provide a common reference for decision-making, partnerships and accountability, ensuring that actions are coherent, transparent and results oriented.

- Above the Guiding Principles sit the **Delivery Channels** (introduced in section 4.3). This layer is where Luxembourg's ICF will operate: Multilateral Funds, Global Programs, as well as Bilateral Programs, with a concentration in **Regional Focus Areas** (RFAs). This level ensures that the strategy is tailored to local needs while benefiting from global capabilities and learning from global-scale interventions.
- Above the Delivery Channels are the **Activities** under the **Thematic Pillars** (introduced in section 4.2), which are the main domains of action that the strategy will support. These were designed in line with the Climate Nexus Approach. The Thematic Pillars feed into a shared system of outputs, outcomes, and impact. This is why the components above them are not pillar-specific, but appear horizontally across Figure 4-3.
- The next layer consists of the **Outputs**. Outputs are the tangible results that the Luxembourg ICF Strategy 2026–2030 is expected to lead to:
 - **Portfolio of priority solutions and interventions, ready for scaling and replication** across Thematic Pillars for communities, ecosystems and innovative finance
 - **Network of privileged partners, platforms and arrangement, enabling collaboration and enhancing knowledge transfer** across Delivery Channels and Regional Focus Areas (RFAs)

These Outputs are shown horizontally because they rely on contributions from all three Thematic Pillars. Progress in one reinforces progress in the others, directly reflecting the logic of the Climate Nexus approach, explained earlier.

- Above the Outputs layer is the **Outcomes** layer, which are the changes expected to emerge once the Outputs are in place. These Outcomes capture the system-level changes the strategy aims to enable as a result of its Outputs. They reflect the combined progress of communities, ecosystems, and finance, working as one integrated system:
 - **Empowered, climate-resilient local communities and institutions:** *Partners have the capacity, resources, and support to prepare for, respond to, and recover from climate impacts.*
 - **Intact, climate-resilient terrestrial, intertidal and aquatic ecosystems:** Land and marine ecosystems are managed in ways that enhance nature and reduce the risks from climate change.
 - **Accessible and effective financial systems, intermediaries, and instruments that mobilize and channel finance towards climate adaptation and mitigation:** Partners have the capabilities, enabling environments, financial instruments, and business models that mobilize capital into place-based solutions.

These Outcomes are also displayed horizontally, emphasizing that they are not pillar-specific, depend on contributions from all three Thematic Pillars and are mutually reinforcing, reflecting the logic of the Climate Nexus Approach (4.1).

- At the very top of Figure 4-3 is the **Impact** that the Luxembourg ICF Strategy 2026–2030 aims to contribute to:

Lasting, climate-resilient and low-emission future for people and nature

This impact captures the long-term transformation that will emerge when the Guiding Principles, Delivery Channels, Thematic Pillars, Outputs, and Outcomes all work together as one integrated system.

5. Financing Architecture

To operationalize the outcomes and outputs defined in the Theory of Change (section 4.5), Luxembourg's ICF Strategy 2026–2030 requires a clear financing architecture which, above all, answers the following questions:

- How can ICF funds be delivered, and which approach(es) should be used? Are there novel approaches which should be tested?
- How does the financing work together to maximize the impact of Luxembourg's ICF?
- Which financial instruments are available to be leveraged, and how to choose between them?

This chapter aims to answer these questions by outlining the financing architecture and delivery approach of the Luxembourg 2026–2030 ICF Strategy. The first and main part focuses on the overall delivery channels to deploy funds (“top-down” lens), describing the features and intended purposes of each as well as providing indicative budget shares and examples of key recipients. The second part introduces the potential to use or support different financial instruments and a conceptual framework for how to prioritize these in different contexts (“bottom-up” lens). Combined, the two lenses provide a robust financing architecture that maximizes the effectiveness of Luxembourg's ICF.

5.1 Budgetary envelopes for 2026-2030

Luxembourg's ICF Strategy 2026–2030 is structured around a clear, portfolio-based allocation that balances global responsibility with national leadership and delivery effectiveness.

In line with the approach of the 2021–2025 Strategy, the proposed distribution reflects Luxembourg's intention to remain a reliable multilateral partner, strategic global actor and a committed bilateral donor, while reinforcing the systems that enable impact, learning, and visibility. However, building on previous strategies, novel approaches are also being tested, especially to mobilize additional private capital via new channels and to more explicitly target the Climate Nexus Approach that connects climate action, ecosystem conservation and restoration, community resilience and finance across the three Thematic Pillars (as described in Section 4).

The Climate and Energy Fund will continue to fund Luxembourg's ICF Strategy 2026–2030, presided over by MECB. The Climate and Energy Fund will be supported by resources stemming from exclusively earmarked tax revenues, notably shares of the CO₂ tax, the car registration tax, and revenues from the auctioning of ETS allowances.

5.1.0 Recipients and implementation partners

Generally, a wide spectrum of entities, both from Luxembourg and abroad, qualifies as implementation partners and applicants for receiving funding to implement ICF-sponsored programs and activities in developing countries. They include:

- Public implementation organizations/agencies implementing bilateral support programs, national finance institutions of Luxembourg;
- Bilateral and multilateral development finance institutions as well as regional development banks;
- Multilateral organizations such as United Nations organizations and programs;
- Experienced national and international organizations⁵ leading in a specific thematic area;
- Dedicated climate funds and facilities
- Research institutions, institutes and universities;

⁵ Governmental and usually not-for-profit and non-governmental organizations.

- NGOs and not-for-profit environmental organizations accredited by the Ministry of Foreign and European Affairs in Luxembourg or approved by MECB.

While a portion of funding will be channeled through and to businesses and other for-profit entities in accordance with the principles established in the Luxembourg ICF Strategy 2026–2030, Luxembourg will principally not engage directly with them on the investment level but use its dedicated implementation partners (including international organizations, development finance institutions, funds or facilities) to distribute and manage relevant funding. In addition, during the 2026-2030 period, MECB may organize calls for proposals targeted at NGOs under the Bilateral Programs, as well as calls for proposals targeted at consortia of implementation partners under the Engagement Programs in Regional Focus Areas.

5.1.1 Budgetary envelopes

The overall budget of €320 million is distributed across Delivery Channels and Regional Focus Areas, plus a support function, each with a distinct but complementary role which together form a coherent delivery architecture. Multilateral funds provide the platform to scale proven approaches and integrate them into the international climate finance system. Bilateral programs help build the policy, institutional, and project foundations needed for more complex and scalable interventions. Global programs build on foundations from Bilateral support and translate them into replicable models and investment-ready solutions. By strategically combining these channels, Luxembourg maximizes the effectiveness and sustainability of its ICF while retaining flexibility to respond to evolving climate challenges and partner needs.

A description of each core channel with indicative budget shares is provided below.

1. Multilateral Funds (15%-25%)

Luxembourg continues to allocate a share of its ICF to multilateral climate funds, recognizing their unique capacity to deliver scale, coordination, and global reach. This channel supports large multilateral programs aligned with the objectives of the Paris Agreement and international climate governance (e.g., Green Climate Fund), through which both repayable and non-repayable capital may be provided with a range of catalytic, enabling, investment, and scaling effects.

2. Global Programs (25%-35%)

Global Programs constitute Luxembourg's strategic programming pillar, enabling the country to act as a lead funder in a mix of thematic and solution-oriented initiatives with regional or global scopes. This allows Luxembourg to concentrate resources on priority themes while retaining flexibility and strategic visibility. Initiatives supported through Global Programs are characterized by their potential for replication, scaling, and policy influence – the focus is on supporting market-based solutions, innovation, and private capital mobilization (particularly through de-risking).

This component supports initiatives and facilities from large international organizations as well as smaller partners and platforms where Luxembourg plays a visible and agenda-setting role. A new Climate Nexus Citizen Fund is also being created within this channel (see below).

3. Bilateral Programs (25%-35%)

Bilateral cooperation remains a central pillar of Luxembourg's climate engagement, grounded in long-term partnerships at national and local level. It supports integrated country-driven climate action, combining policy support, institutional strengthening, and concrete implementation. By specifically targeting Regional Focus Areas, this channel ensures depth, continuity, and alignment with broader development cooperation objectives, while maintaining strong Luxembourg ownership. The focus is on providing non-repayable capital with catalytic and enabling effects.

Funding under this channel is primarily delivered through Luxembourg's bilateral cooperation instruments and eligible Luxembourgish NGOs that deliver high-impact climate and development interventions, strengthen local capacity, and contribute to evidence generation and policy support.

4. Engagement Programs in Regional Focus Areas (10%)

A new initiative of Engagement Programs is also included in the strategy with an additional budgetary envelope to specifically support collaboration in the framework of consortia of implementation partners in Regional Focus Areas, including Luxembourgish NGOs, but also research institutions, institutes and universities, as well as other national and international organizations, working together to advance the Climate Nexus Approach in the respective ecosystems.

5. Overall support function (2%-5%)

In addition to these core components, a dedicated support function underpins the effectiveness of the overall ICF portfolio. This envelope primarily finances strategic public relations and communication which, even if modest in size, play a critical role in strengthening accountability, knowledge-sharing, and the visibility of Luxembourg's ICF contribution. Complementarily, access to external expertise will reinforce evidence-based decision-making and ensure the coherence and continuous improvement in the operationalization of Luxembourg's ICF Strategy 2026-2030.

Climate Nexus Citizen Fund: mobilizing private capital for global impact

Luxembourg is planning to establish a new Climate Nexus Citizen Fund, a dedicated climate investment fund designed to leverage its ICF as catalytic capital, while actively mobilizing resources from Luxembourg's financial sector and domestic retail investors. The fund will serve as a flagship instrument translating Luxembourg's ICF into a scalable, investable platform that mobilizes domestic capital, strengthens the financial sector's role in climate action, and amplifies Luxembourg's leadership at the intersection of climate policy and sustainable finance. Its structure and implementation will involve close collaboration with the Ministry of Finance (MFIN).

The fund is intended to operate as a blended finance vehicle anchored by Luxembourg's ICF contributions. This public capital can take on a catalytic role (e.g. via first-loss or concessional tranches) to de-risk investments via repayable financial instruments and attract participation from private investors, which may include institutional investors such as insurers, pension funds, banks, and asset managers based in Luxembourg. In parallel, a retail component will enable citizens to invest directly in climate solutions, strengthening public engagement and ownership of Luxembourg's climate action.

The fund will invest in diversified portfolios aligned with Luxembourg's thematic pillars and Climate Nexus approach priorities in partner countries and Regional Focus Areas. Investments made alongside established partners such as development banks and experienced fund managers can ensure strong governance, risk management, and transparency, while the combined aims of financial performance and climate impact – with regular reporting alongside – allow both institutional and retail investors to clearly see how their capital contributes to global climate outcomes.

5.2 Financial instruments

Within each Delivery Channel approach, various financial instruments can and should be employed in a complementary way, providing a flexible toolbox that allows climate finance to be tailored to different contexts. By using and supporting a diversified set of financial instruments – from funding to blended finance and market-based instruments – Luxembourg can maximize its impact and ensure its ICF is both coherent and effective across regions and delivery channels.

5.2.0 Financial instruments available

Financial instruments can be broadly grouped under the following three categories:

- **Funding instruments** are non-repayable and provide the foundation for climate action where markets are weak, risks are high, or benefits are primarily public. They enable readiness, capacity building, and the delivery of climate solutions that are not yet commercially viable.

Key funding instruments: grants (including technical assistance and project preparation), results-based finance, and fiscal incentives or subsidies.

- **Blended finance instruments** use public resources to reduce risk and improve the viability of climate investments, thereby mobilizing additional public and private capital. Where appropriate, Luxembourg will use blended finance to mobilize private investment, while preserving development additionality and ensuring that such approaches complement rather than replace other forms of support.

Key blended finance instruments: guarantees, first-loss or subordinated capital, concessional debt, insurance and catastrophe finance, and debt-for-nature swaps.

- **Market-based or financing instruments** channel capital toward climate solutions with viable revenue models, enabling scale, sustainability, and long-term impact where market conditions and institutional readiness allow.

Key market-based instruments: thematic or labelled bonds, thematic or labelled loans, mezzanine finance, equity and venture capital, and carbon credits.

Luxembourg's ICF has historically focused on only a few instruments – especially non-repayable ones such as grants and contributions to climate funds. Increasingly, however, Luxembourg aims to mobilize private capital directly through its contributions, and more instruments – including innovative ones – are being considered to support this. In this context, blended finance and financing or market-based instruments present the greatest potential to mobilize private capital (i.e. over funding instruments).

5.2.1 Prioritizing and selecting instruments

The broader availability of potential instruments to be used and supported through Luxembourg's ICF presents opportunities but also an additional challenge of prioritizing and selecting instruments.

The aim is that, along with considering and matching potential instruments under each Delivery Channel, Luxembourg assesses the suitability of each instrument based on different contexts and aims, increasingly prioritizing these to target specific Thematic Pillars, implementation partners, and/or Regional Focus Areas.

This “bottom-up” view enables Luxembourg to tailor the right instrument to each context. Combined with the “top-down” approach of Delivery Channels, described previously, this provides a robust and intentional approach designed to maximize the impact of Luxembourg's ICF.

6. Operationalization

This Chapter provides a high-level summary of the operational architecture set out in the separate more detailed internal Operational Plan.

The operationalization plan translates the strategic orientation of Luxembourg's ICF Strategy 2026–2030 into a sequenced, high-level roadmap for delivery. It provides a structured process through which Luxembourg will move from strategic commitments to coordinated implementation, while preserving the flexibility required for adaptive management, evolving partner needs, and emerging global priorities.

The plan does not prescribe detailed operational procedures for the ICF team, individual ministries or implementing partners. Instead, it defines the core processes, decision points, responsibilities, and milestones required to ensure that the strategy is implemented coherently across institutions and delivery channels, and in alignment with the Theory of Change, financing architecture, and MEL framework.

The Luxembourg ICF Strategy 2026–2030 will be implemented by the ICF team of the European and International Affairs Directorate (D5) of the MECB, with possible subcontracting of certain tasks to external service providers and partner organizations. Strategic guidance will be provided by the Minister and the MECB cabinet. Monitoring, reporting and learning will be supervised by MECB, with a focus on annual figures and a possible more formal midterm review.

Within the scope of its missions, the Management Committee of the Climate and Energy Fund will be consulted to draft opinions and, where applicable, recommendations to the Minister regarding the eligibility of investments, linked to the rollout of the strategy.

As under the current strategy, the Climate and Energy Fund Committee will be consulted during the approval phase of eligible initiatives.

6.1 Implementation Architecture and Workstreams

The operational plan is structured around an implementation architecture organized into five interconnected workstreams that together translate the Strategy into delivery.

WS1, Strategic Direction, Governance and Guidance, provides the overarching steering. It sets programming orientations, supports allocation decisions across Global Programs and Regional Focus Areas, maintains common operational guidance (including eligibility, selection, appraisal and risk management), and ensures that evidence from monitoring and evaluation is used to inform annual decisions and mid-course adjustments.

WS2, Instruments, Programs and Pipeline Development, is the core “engine” for deploying climate finance through implementing partners. It covers the operational use of instruments (such as grants, technical assistance, blended finance and guarantees), the organization of calls and proposal cycles where relevant, structured selection and appraisal of programs, and maintenance of a consolidated pipeline that remains balanced across themes, geographies and instruments.

WS3, Global and Multilateral Engagement, governs Luxembourg's engagement through multilateral climate funds, MDB platforms and other global partnerships not tied to specific Regional Focus Areas. It manages performance and strategic alignment of these channels and is designed to ensure that learning and insights from global partners inform broader programming and instrument choices.

WS4, Bilateral and Regional Programming and Partnerships, operationalizes place-based engagement in selected countries and Regional Focus Areas. It focuses on building and maintaining long-term partnerships, undertaking context and needs analyses, preparing and updating regional programming packages, and coordinating delivery actors so that interventions align with local priorities and national policies in a country-driven approach.

WS5, Monitoring, Evaluation and Learning, and Knowledge Integration, is a cross-cutting workstream related to all other workstreams. It establishes and runs the results and KPI system, aggregates results across the portfolio, supports data quality and reporting, and manages mid-term and final evaluations. It also facilitates structured learning loops so that lessons from implementation feed back into WS1 strategic guidance and WS2 programming and pipeline decisions.

6.2 Phased Approach

Implementation of the Strategy is sequenced through three phases that reflect the transition from alignment and system set-up to full deployment, and finally consolidation and preparation of the next strategy cycle. The phasing is designed to ensure continuity with ongoing commitments while allowing for gradual adaptation and learning.

The first phase focuses on alignment, onboarding and system establishment. Existing initiatives from the previous strategy cycle continue, while being progressively aligned with the new strategic framework, the Climate Nexus Approach and the new results system. During this phase, common programming guidance, appraisal frameworks (including eligibility and selection criteria, exclusion list and safeguards), and monitoring systems are established, and the foundations of the programming across Delivery Channels and Regional Focus Areas under the new strategy are put in place.

The second phase centers on full deployment and scaling. Programming cycles operate fully across instruments, Delivery Channels and Regional Focus Areas, with new programs selected and implemented in line with strategic priorities. Evidence generated through monitoring and evaluation informs adjustments to instruments, programming choices and portfolio balance, enabling adaptive management and scaling of effective interventions.

The third phase focuses on consolidation, adjustment and preparation for the subsequent strategy period. Results and evaluation findings are synthesized to inform strategic refinements, successful approaches are consolidated, and transition or continuation pathways are prepared for programs and partnerships beyond 2030. This phase ensures that learning and performance evidence are systematically carried forward into the design of the next strategy cycle.

6.3 Communication Approach

An accompanying component to support the operationalization and implementation of the Strategy is the **Communication Approach** to maximize the visibility, accessibility, and impact of the Strategy. Strengthening communication and visibility internally and externally will improve how Luxembourg's ICF results and strategy are presented. In turn, this will boost stakeholder engagement and build trust.

The Communication Approach presents two complementary layers. **Strategic communication** provides recommendations on how to communicate the key components of the strategy – the Vision, Mission, Climate Nexus Approach, Thematic Pillars, Delivery Channels and Regional Focus Areas (RFAs) – as well as communication prompts that help the ICF Team anchor other stakeholders in the key components of the ICF Strategy. Strategic communication focuses on positioning Luxembourg's strategic priorities, showcasing leadership, promoting transparency, and building partnerships.

The Communication Approach also outlines **operational communication** by showcasing a stakeholder mapping of key actors including associated communication objectives and communication channel mapping – both existing and newly proposed communication channels including contents. Operational communication therefore focuses on enabling effective implementation by communicating practical information on funding opportunities, processes, monitoring requirements, and progress reporting.

7. Eligibility & Selection Criteria, Exclusion List & Safeguards

7.1 Eligibility & Selection Criteria

The strategy supports initiatives, programs and projects that are chosen based on clear, coherent and transparent eligibility and selection criteria (detailed in the Annex).

Eligibility is assessed in several steps. Part of the assessment concerns the overall **eligibility of the applicant**, including whether it is an established legal entity with appropriate governance structures, fiduciary capacity, and a track record in delivering climate-related activities; while part of the assessment concerns the overall **program or project eligibility**, including whether the proposed activities demonstrate a clear and credible contribution to climate change mitigation and/ or adaptation in line with internationally recognized methodologies, in particular the OECD DAC Rio Markers.

A further step of the eligibility assessment considers the **geographic scope of the proposed activities** and whether they are implemented in countries that qualify for international climate finance support according to relevant international classifications (including but not limited to countries in the Regional Focus Areas of the new strategy).

Additionally, eligible activities must demonstrate **an alignment with relevant national and international policy frameworks** on climate change; e.g. partner countries' climate and development priorities, including Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and other relevant sectoral or policy frameworks, the objectives of the Paris Agreement, and where applicable, the objectives and targets of the Kunming-Montreal Global Biodiversity Framework, including the conservation, restoration, and sustainable use of ecosystems and the enhancement of biodiversity-related benefits.

Eligible activities must be implemented through **appropriate funding instruments**, including blended finance instruments or market-based financing instruments, selected in accordance with the nature of the intervention and its intended outcomes. Where support is linked to **carbon finance**, including the generation or transfer of emission reductions or removals, eligibility is subject to additional screenings, and activities must meet further criteria. Note that ICF funds can be used to support carbon finance projects in general but will not be used to purchase internationally transferred mitigation outcomes (ITMOs) to meet Luxembourg's or the EU's NDC.

Another step of the eligibility assessment concerns the **financial additionality of the support** provided and its specific **value contribution** to the respective activities, including, where relevant, its catalytic effect in mobilizing further finance or enabling replication and scaling.

Finally, the eligibility assessment concerns environmental and social **Safeguards**, as all supported activities must be designed and implemented in a manner that avoids harm, respects rights, and delivers positive outcomes.

Eligible activities will be **prioritized, ranked and selected** based on their expected **climate impact and resilience, environmental integrity and co-benefits**, their **catalytic potential**, also with regard to the mobilization of additional public and/or private finance, their **transformational effects**, their **scalability**, their **responsiveness to country needs, country ownership** and **overall efficiency**.

Enhanced selectivity is applied in non-priority cases and contexts, i.e. activities implemented outside Regional Focus Areas (RFAs), or activities for which climate change is not the principal objective (Rio

Marker “significant”), which may be supported where they demonstrate exceptional outcomes in one or more of these abovementioned dimensions.

7.2 Exclusion List

An **Exclusion List** (in the Annex to this Strategy), provides details on all types of activities that must not be supported or otherwise advanced, neither in whole nor in part, by and under Luxembourg's International Climate Finance Strategy 2026-2030.

Among others, excluded activities comprise **Fossil Fuels Activities** involving the exploration, extraction, production, processing, refining, transport, storage, distribution, or use for energy generation of fossil fuels; **Destructive Fishing Activities**, including any fishing methods that cause significant and irreversible damage to marine ecosystems; **Activities that result in the Conversion, Degradation, or Significant Impairment of High-Value Natural Ecosystems** (such as primary forests, natural forests, tropical forest, wetlands, peatlands, floodplains etc.); **Harmful Biological or Chemical Interventions; Radioactive Resources; High-Risk Extractive Activities**; and the like.

Activities that are not explicitly listed, but that are of a **substantially similar nature or effect as the excluded activities** are also deemed ineligible.

7.3 Safeguards

All supported activities must be designed and implemented in a manner that avoids harm, respects rights, and delivers positive outcomes. Applicants must therefore demonstrate appropriate and proportionate safeguards concerning among others **Environmental Integrity** (avoiding significant adverse impacts on ecosystems, biodiversity, and natural habitats), **Social Inclusion and Equity** (respecting the rights, dignity, and livelihoods of affected communities, and promoting equitable benefit sharing, including for women, youth, and vulnerable groups); prior and informed **Consent and Rights of Indigenous Peoples and Local Communities; Compliance with applicable and agreed Labor Laws and Principles; Governance, Transparency, and Accountability** (including transparent decision-making and financial management), **Cultural Heritage** (avoiding damage to cultural heritage and respecting tangible and intangible cultural values and practices); as well as **Climate and Environmental Co-Benefits** (including consistency with long-term climate goals, maladaptation or environmental trade-offs, delivery of co-benefits for biodiversity and ecosystem resilience).

All activities must undergo an initial Safeguards screening to identify potential environmental and social risks. Activities must be categorized with regard to these risks (e.g. low / moderate / high risk), and the level of the due diligence and monitoring must correspond to this risk category.

Applicants must establish a stakeholder engagement plan proportionate to risk; and for activities with identified risks, applicants must prepare appropriate documentation.

8. Monitoring, Evaluation & Learning

The Luxembourg ICF Strategy 2026–2030 places a strong emphasis on Monitoring, Evaluation and Learning (MEL) to ensure that financing meets the OECD-DAC criteria of relevance, coherence, effectiveness, efficiency, impact, and sustainability. This ensures that funding achieves its intended objectives, uses resources optimally, aligns with the priorities of receiving partners and contexts, creates meaningful long-term effects, and delivers benefits that continue beyond project completion.

The goal is to address climate change, biodiversity loss, and environmental degradation, while strengthening the resilience and livelihoods of affected communities.

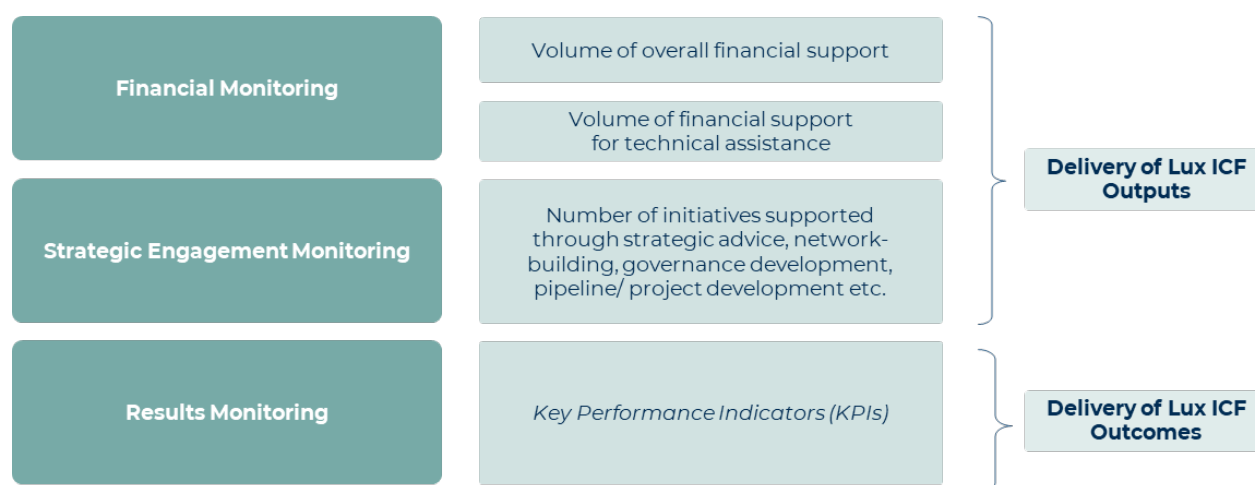
Monitoring tracks the financial contributions, the strategic engagements and the results of ICF action, the latter through Key Performance Indicators (KPIs). Monitoring data from projects and programs informs portfolio-level evaluations, which assess overall achievements, including how project or program outcomes contribute to portfolio-level impacts. Evaluation findings, in turn, inform learning processes and feed back into potential improvements, including adjustments in implementation and again in monitoring and evaluation.

8.1 Monitoring

Monitoring occurs at three levels. Financial Monitoring tracks whether financial resources are allocated according to the strategy's objectives; Strategic Engagement Monitoring tracks whether progress is made with regard to engagement across relevant policy, partnership and coordination platforms in line with strategic priorities; and Results Monitoring tracks whether progress is made with regard to the results of ICF action, ensuring transparent reporting to stakeholders.

Consequently, Financial Monitoring and Strategic Engagement Monitoring provide information on the delivery of the Outputs of Luxembourg's international climate finance; while Results Monitoring provides information on the achievement of the Outcomes of Luxembourg's ICF.

Figure 8-1: Monitoring Framework of Luxembourg's ICF Strategy 2026-2030



8.1.0 Financial Monitoring

Financial Monitoring tracks the volume of financial flows by the following categories:

- Year
- Rio marker
- Thematic Pillars (Climate & Communities; Climate & Ecosystems; and Climate & Innovative Finance to Support Climate Investments)
- Delivery Channels (Multilateral Funds, Global Programs and Bilateral Programs)
- Regional Focus Areas (RFA) and individual countries
- Financing instruments
- Implementing partners.

The volume of the overall financial support and the volume of financial support for technical assistance are also differentiated where applicable.

The data is reported annually. It is used to monitor the alignment of the resource allocation with the strategy's objectives and supports portfolio-level mid-term and final evaluations.

8.1.1 Strategic Engagement Monitoring

Strategic Engagement Monitoring tracks the number of initiatives supported through strategic advice, network-building, structuring, governance development, or pipeline and project development that contribute to the preparation, coordination, or scaling of climate adaptation and/ or mitigation activities.

Initiatives may include platforms, partnerships or other collaborative arrangements that bring together multiple stakeholders and facilitate the development of investable or implementable climate actions.

Strategic Engagement Monitoring also occurs annually. It complements Financial monitoring and Results Monitoring, also feeds into evaluation and learning processes and informs adaptive management to improve strategic coherence.

8.1.2 Results Monitoring

In the framework of its Results Monitoring activities, Luxembourg's ICF Strategy 2026–2030 tracks 10 Key Performance Indicators (KPIs), which are aggregated across individual projects, programs or other initiatives to measure progress with respect to overall outcomes.

There is one **cross-cutting KPI** which measures climate mitigation benefits achieved, enabled or mobilized through the respective interventions; and there is a set of 3 Key Performance Indicators (KPIs) for each outcome of the ICF Strategy.

A **set of KPIs concerning Outcome 1** (Empowered, climate-resilient local communities and institutions), measures the number of direct and indirect **beneficiaries** with enhanced capacities for climate adaptation and/ or mitigation achieved through the respective interventions, as well as the number of direct **beneficiaries belonging to vulnerable groups** (women, youth, people with disabilities, Indigenous Peoples and Local Communities (IPLCs) etc.).

Another **set of KPIs concerning Outcome 2** (Intact, climate-resilient terrestrial, intertidal and aquatic ecosystems) measures the **areas of land- or seascapes** under enhanced and effective protection, conservation and/ or sustainable use and management in response to climate variability and change, as well as the **presence of local indicator species**.

Outcome 3 (Accessible and effective financial systems, intermediaries, and instruments that mobilize and channel finance towards climate adaptation and mitigation), in turn, is measured via a **set of KPIs** that concern **financial system stakeholders and financial instruments**, enabling or strengthening climate adaptation and/ or mitigation, as well as the volume of **private climate finance mobilized**.

Figure 8-2: Key Performance Indicators of Luxembourg's ICF Strategy 2026-2030



The Annex to Luxembourg's ICF Strategy 2026-2030, lists all **Key Performance Indicators (KPIs)**, with each KPI being accompanied by a detailed explanation of how the respective indicator must be understood and applied.

Partners may, of course, formulate more **specific outcome indicators** at the level of their respective projects, programs or other initiatives, but while there can be indicators that cover aspects unique to an intervention, there must also be indicators that fall under each of the overall outcome-KPIs (and that are measured in the same unit in order to allow for comparison and aggregation at portfolio level).

If one or several overall outcome-KPIs are not covered in the framework of an intervention, further explanations must be provided.

A comprehensive review of all outcome-KPIs taken together also allows for an analysis of the depth of the Climate Nexus Approach in the framework of a specific intervention or in a given context (with eventually high values for certain KPIs and low values for others KPIs indicating potential Climate Nexus trade-offs; or with eventually high values for several, interlinked KPIs indicating potential Climate Nexus synergies).

Results Monitoring occurs annually and - alongside Financial Monitoring and Strategic Engagement Monitoring - feeds into evaluation and learning processes and informs adaptive management to improve strategic coherence.

8.2 Evaluation

Evaluation will assess the overall portfolio of the Luxembourg ICF Strategy 2026–2030 and apply the six OECD-DAC evaluation criteria for projects or policies, related to development co-operation.⁶

1. **Relevance:** Is the intervention doing the right things?
2. **Coherence:** How well does the intervention fit with other policies, programs or areas of the strategy?
3. **Effectiveness:** Is the intervention achieving its objectives?
4. **Efficiency:** Are projects implemented on time, within budget, and using resources optimally?
5. **Impact:** What difference does the intervention make?
6. **Sustainability:** Are the benefits likely to last beyond the project period?

A **mid-term evaluation** is planned for early 2028 and will assess progress, implementation quality, resource use, and whether projects, programs or other initiatives are on track to meet their objectives within their respective budgets, allowing for corrective actions if needed.

A **final evaluation** at the end of the strategy will assess whether projects, programs or other initiatives have achieved their intended results efficiently, on time, and within budget, capture lessons learned and provide further insights at portfolio level.

Outcomes tracked through the core KPIs are expected to contribute to broader long-term **impacts**, which will also be assessed by the final evaluation.

⁶ OECD Development co-operation evaluation and effectiveness. Evaluation Criteria. Retrieved from: <https://www.oecd.org/en/topics/sub-issues/development-co-operation-evaluation-and-effectiveness/evaluation-criteria.html>

8.3 Learning

The strategy will support continuous learning, both at the level of projects, programs or other initiatives and at portfolio level.

Insights from results monitoring, strategic engagement monitoring and financial monitoring, as well as mid-term and final evaluations will be used to:

- Share lessons and good practices internally with other teams and team members
- Share lessons and good practices externally across projects and partners
- Inform adaptive management and corrective actions during implementation
- Improve the design of future projects, programs and strategies

Learning processes will be encouraged and enabled through regular knowledge-sharing workshops, as well as other learning formats to be developed and realized depending on the respective context, contents and participants.