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Helping small-scale producers and poor rural communities thrive – an agenda for climate resilience at COP26

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I. Background

1. Rural poor people are being impacted earliest and hardest by climate change. After years of progress on reducing hunger worldwide, food insecurity is on the rise again. Rising food insecurity levels are coinciding with three of the four warmest years on record.¹ Small-scale food producers and value chain actors are excluded from economic opportunities and at chronic risk of hunger. The increased frequency and intensity of droughts, pest outbreaks, storms and floods are putting pressure on the livelihoods of farmers and the rural poor and the ecosystems they depend on. On the flipside, food systems contribute nearly a third of global greenhouse gas emissions, second only to the energy sector.
2. IFAD is committed to helping rural communities thrive – and not just survive - in a changing climate. This will require transforming food systems. IFAD focuses exclusively on transforming rural economies and food systems. As such, it has a leadership role in channeling global climate finance to small-scale producers and poor rural communities. IFAD plays a vital role in giving a voice to rural communities in the dialogue on climate and in highlighting the effects of climate change on small-scale agricultural producers.
3. The expectation that 2020 would be the year of climate action was overturned by the global COVID-19 pandemic. The 26th session of the Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) will now take place in 2021. Italy, the United Kingdom and other parties have stated that they do not wish to lose the global momentum that was garnered in the lead-up to the original COP26 date.
4. Climate adaptation and resilience will be top priorities for COP26. This is an opportunity to ensure that the most vulnerable are included in decision-making in the UNFCCC process. The proximity of COP26 to the Food Systems Summit being convened by the Secretary-General of the United Nations, only months apart, makes it possible to link the climate and agriculture agendas. This will afford an opportunity to embark on the transformation of food systems that is required to feed the world's current and future population sustainably under climate change.
5. IFAD invites its Member States to join it in ensuring that the most vulnerable people producing food are not left behind in climate action. Members are already supporting IFAD through their financial contributions and partnerships in implementing projects. Now is the time to come together to ensure that the most vulnerable people take centre stage at the COP26.

II. The role of IFAD in building climate resilience

6. Climate resilience is the capacity of a system to cope with, or recover from, the effects of climate change, while retaining the essential components of the original system.² Building climate resilience requires strengthening food systems to withstand climate-related shocks. This will allow poor rural communities to continue on their path of sustainable development and work their way out of poverty despite climate shocks. It means that governments, the private sector and others need to reshape food systems to feed the world, advance equitable livelihoods and manage climate stresses.
7. IFAD was an early mover on climate adaptation when development organizations were focusing mainly on climate mitigation. Over the past decade IFAD has built up a wealth of practical knowhow on what works for small-scale producers in building climate resilience. IFAD teams and Member States have jointly gained practical

¹ World Meteorological Organization, 2018. *The State of the Global Climate in 2018*.

² Definition adapted from the World Bank Group Action Plan on Adaptation and Resilience.

experience in the four action areas to transform food systems under climate change identified by over 100 partners:³

- **IFAD helps reroute farming and rural livelihoods to new trajectories to deal with greenhouse gas emissions, reduce inequality, address gender and social inclusion and incentivize climate-resilient practices that meet dietary needs.** Improved land management, sustainable agricultural intensification, diversification of production and adapted farming practices are all important elements of IFAD projects that help alleviate pressure on the environment and lower greenhouse gas emissions. IFAD projects show the power of innovation that young people bring and have developed approaches to applying their skills to reform food systems to adapt to climate change. For instance, the IFAD-financed Youth Agropastoral Entrepreneurship Promotion Programme in Cameroon was designed to promote an institutional framework that assists youth in creating and developing successful businesses.
- **IFAD de-risks livelihoods, farms and value chains, reducing the impact of variable weather and extreme events through attention to inclusive early warning systems, adaptive safety nets, and climate informed advisories and other services.** By way of illustration, IFAD helped farmers in Nepal to introduce stress-tolerant rice varieties that grew well in their area and were resistant to yield loss due to drought. Years later, IFAD-established seed producer groups continue to improve their communities' climate resilience. A recent Adaptation for Smallholder Agriculture Programme (ASAP) technical paper found that climate change interventions increased yields by nearly 140 per cent for some grains and as much as 300 per cent for some vegetables. This in turn increased incomes and improved the nutritional status of women and children, and created permanent and diverse income streams for young people while reducing pressure on land.
- **IFAD helps to reduce emissions from agriculture and value chains through promoting significant dietary shifts and reductions in food loss and waste.** IFAD is at the forefront of nutrition-sensitive agriculture. In countries across Africa, Asia and Latin America, IFAD projects support a shift to healthy and sustainable climate-friendly diets. IFAD programmes have long supported the reduction of food losses in developing countries. IFAD has partnered to scale up its impact on food loss reduction using the Food and Agriculture Organization of the United Nations (FAO) Food Loss Assessment methodology. Between 2013 and 2016 IFAD allocated 12 per cent of total loan disbursements to on and off-farm post-harvest infrastructure, equipment and capacity-building of stakeholders across all value chains. In addition, a large percentage of IFAD loans and grants improve market access and access to rural finance, which also enables smallholder farmers to reduce their losses.
- **IFAD supports the realignment of policies, finance, support to social movements and innovation to build more resilient and sustainable food systems.** IFAD provides support to functioning, inclusive institutions – ranging from farmers groups to ministries – that are key to rural transformation. Through the Farmers' Forum, IFAD partners with organizations run by small-scale farmers. Ministries of agriculture implement IFAD projects around the world, generating in-depth learning by doing on climate resilience. IFAD has worked on rural finance systems in more than 70 countries for over four decades, and has invested over US\$3 billion in rural

³ For more information on the four action areas mentioned in this paragraph, see <https://www.transformingfoodsystems.com>

finance systems. IFAD's new Private Sector Financing Programme (PSFP) will build on this experience and offer a new instrument to unlock private funding for rural micro, small and medium-sized enterprises that can generate employment for youth and women.

8. The Tenth Replenishment of IFAD's Resources (IFAD10) impact assessment indicated that IFAD10 beneficiaries were 13 per cent more resilient to multiple shocks, inclusive of climate change, than farmers in comparison groups. Lessons learned from ASAP interventions are currently being scaled up through the IFAD11 programme of loans and grants. IFAD committed US\$736 million in climate finance under the regular programme of loans and grants, primarily in the form of loans, between 2019 and September 2020. At least 25 per cent of IFAD11 core resources will be climate focused, over and above supplementary funds from the Adaptation Fund, Green Climate Fund and Global Environment Facility.
9. IFAD is committing to increase climate finance for small-scale agriculture to 40 per cent for the upcoming IFAD12 period (2022-2024). Nationally determined contributions (NDCs) under the Paris Agreement have been integrated into all new country strategies since 2019, and IFAD's contribution to supporting countries to achieve these commitments will be further strengthened under IFAD12. IFAD's new Rural Resilience Programme (2RP) will provide a means to help target climate finance flows to smallholders. The 2RP will leverage the IFAD portfolio and will continue to introduce novel and innovative resilient activities into the IFAD12 programme of loans and grants. IFAD strategically engages with the Green Climate Fund, the Adaptation Fund and the Global Environment Facility to programme more ambitious, impactful and transformative projects for climate resilience in small-scale farming systems.

III. The case for climate resilience - helping small-scale producers and poor rural communities thrive

10. IFAD's main goal for COP26 and the preparatory process leading up to it will be to highlight practical solutions to enhance the climate resilience of small-scale agricultural producers and their communities and to advocate for better targeting of climate finance to the most vulnerable. IFAD will focus on solutions and share its experience on customizing solutions to specific country circumstances.
11. The case for climate resilience to help small-scale producers and poor rural communities thrive is as follows:
 - **Transformational change is needed to end hunger through food systems that can sustainably manage climatic stresses.** The climate crisis poses a mounting threat to food systems. At the same time current food systems act as a driver of climate change, generating between 25 per cent and 30 per cent of total greenhouse gas emissions. Climate change has already reduced agricultural production by between 1 per cent and 5 per cent. Between 2005 and 2015 climate events and natural disasters cost the agricultural sectors of developing country economies up to US\$96 billion in damaged or lost crop and livestock production. Increasing investment in achieving the second Sustainable Development Goal (SDG 2) will also contribute to climate action (SDG 13), reduced inequalities (SDG 10), women's rights to full and equal participation in economic and public life (SDG 5) and more sustainable patterns of production and consumption (SDG 12). Climate finance can contribute to ending poverty and hunger. A recent large-scale review of published evidence on agricultural interventions shows that it is much more effective to create integrated portfolios of interventions than to seek improvements in isolation. Relevant government departments

and their partners have to work together more closely to create transformative change.⁴

- **Building the climate resilience of small-scale farmers is urgent, as the poor are disproportionately impacted by climate change.** The premise of SDG 2 is that increasing the incomes and productivity of small-scale producers, in a way that supports the transition to environmentally sustainable food systems, is the most effective way to end hunger. Climate change is a risk multiplier and is expected to disproportionately affect small-scale producers and make their livelihoods even more precarious. Sub-Saharan Africa in particular has experienced more frequent and more intense climate events over the past decade, and is set to suffer some of the worst impacts of climate change. More generally, the African climate system and its complex mix of large-scale weather systems is vastly understudied. Agriculture contributes to 32 percent of GDP in Africa, and hundreds of millions of Africans depend on increasingly unpredictable rainfall to grow their food. Their capacity for adaptation to climate change is low. Chronic underinvestment in the production systems of small-scale producers has resulted in low productivity and incomes and has undermined their efforts to move out of subsistence livelihoods. The Sahel region is particularly vulnerable to climate change, with 300 million people affected. Nowhere is official development assistance (ODA) playing as central a role as it does in Africa. This means that ODA can be a critical factor in building climate resilience.
- **Knowledge and technology are available and need to be applied at scale based on local evidence.** Farmers not only have to be able to grow climate-resilient crops. They also have to be able to transport and sell their crops. Governments have to combine investments in agriculture with social protection programmes, to ensure that people can count on an income and access to food even in difficult times. Government decision-makers must make agricultural development a priority in each country. There is an urgent need to invest in the development of standardized frameworks to improve the quality and relevance of research for policy-makers as evidence-based policy is only possible with disaggregated data. IFAD has gained much practical experience in climate resilience and can help. The next step is to scale up known solutions.
- **Climate finance needs to be better targeted to the poor and additional to existing development finance.** The only way to achieve a sustainable and just transformation of food systems is for climate finance to be adequate, accessible and appropriate. This is currently not the case. Only 1.6 per cent of global climate finance reaches small-scale agricultural producers (see box). Having contributed least to this crisis, the rural poor are currently being underserved by climate finance, which is unacceptably low and a major barrier to sustainable development. When adopting the Paris Agreement, developed country parties reconfirmed the goal of mobilizing jointly US\$100 billion per year by 2020 to address the needs of developing countries, and agreed to set a new increased collective goal prior to 2025. Total ODA delivered to developing countries by members of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC), excluding humanitarian support, remained stable between 2009 and 2018, which suggests that aid flows under the umbrella of climate finance are not in fact additional, but rather substituting for other aid or relabeled as climate finance.⁵

⁴ CERES2030,

https://ecommons.cornell.edu/bitstream/handle/1813/72799/Ceres2030%20Summary%20Findings_Final.pdf?sequence=3&isAllowed=y

⁵ <https://www.cgdev.org/blog/aid-and-climate-dont-make-poor-pay-twice#.X5huDF4bNvk.twitter>

Sneak preview of upcoming IFAD study: only 1.6 per cent of global climate finance reaches small-scale agricultural producers

A new IFAD commissioned study in 2020 (released in mid-November) identifies how much of global climate finance flows is directed at small-scale production. Although global climate finance has passed the half trillion point, only 1.6 per cent, or approximately US\$10 billion, is targeted to small-scale agricultural producers. This is unacceptably low, and a major barrier to sustainable development. Virtually all of this, 95 per cent, is provided by the public sector, with private sector finance difficult to identify. Grants are the predominant financial instrument used for small-scale producer climate finance providing 50 per cent of all instruments used, followed by concessional (low cost) debt (33 per cent) and non-concessional debt (16 per cent). The study confirms a recent analysis by Oxfam that the poorest countries struggle to prioritize borrowing for climate-related activities.

- **Water scarcity and drought cause long term misery.** Over 4.8 billion people worldwide will face at least one month of water scarcity each year by 2050. Whereas floods attract much attention as they cause sensational damage, droughts are misery in slow motion. Droughts tend to be viewed as short-term events that end as soon as the rains start falling again, but their effects are deep and enduring. Long term effects include health impacts, lower agricultural productivity, loss of forests and compromised agricultural systems. Insufficient food in early life impedes the physical and mental development of a child, with significant and often irreversible consequences. In rural Africa, women born during severe droughts bear the marks throughout their lives. They grow up physically shorter, receive less education, have less agency and, ultimately, become less wealthy. They may also be less empowered to make household financial decisions and more tolerant of domestic violence. Drought affects multiple generations, as children of mothers having experienced rainfall shocks in infancy are more likely to suffer from malnutrition.⁶

IV. Partnering to make the case for small-scale producers resilience at the COP26

12. The year of climate action provides a unique opportunity to kick-start transformational change, to mobilize resources and create new partnerships, and to share knowhow.
13. To achieve SDGs 1 and 2, it is critical to bring together the food systems and climate change policy agendas and translate them into real action, and 2021 provides a unique opportunity to do so.
14. IFAD is already partnering on various events in the run-up to COP26, including with the United Kingdom Foreign, Commonwealth and Development Office (FCDO), the Just Rural Transition secretariat, CGIAR, the Global Commission on Adaptation and various United Nations agencies, including the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP). IFAD has been a strong advocate for the inclusion of agriculture within the UNFCCC negotiations and among others through the Koronivia Joint Work on Agriculture (KJWA) working group. The KJWA negotiations call for increased finance, specifically adaptation

⁶ <https://www.worldbank.org/en/news/feature/2017/10/24/uncharted-waters>

finance for agriculture. IFAD will continue to actively engage with UNFCCC parties on the KJWA, and invites its Member States to join in this engagement.

15. The Finance in Common Summit hosted by France in November 2020 convened public development banks in support of common action towards the SDGs and climate action. IFAD will convene a coalition of development banks to mobilize them around addressing the climate finance gaps for small-scale producers.
16. The Global Commission on Adaptation will culminate its year of action with the Climate Adaptation Summit, planned as an online event to be hosted by The Netherlands in January 2021. The summit will focus on securing new investments to ensure that millions of small-scale producers can adapt to the stresses of climate on food production. IFAD has been involved in the food security and rural livelihoods and finance action tracks in this connection, and is working to feature ASAP+ as part of the food security action track during the summit.
17. The 2021 Food Systems Summit is intended to launch bold new actions to transform the way the world produces and consumes food, delivering progress on all 17 SDGs. IFAD is the United Nations anchor organization for the summit's action track number 4, which focuses on solutions to advance equitable livelihoods in food systems. IFAD also contributes to other action tracks and will launch the 2021 Rural Development Report at the summit. Discussions during the run-up to the summit underscore the centrality of climate change in food systems.
18. COP26 offers a further opportunity for IFAD to engage with government representatives to plan future engagement and hear about country priorities. Virtually all developing country parties have included the agriculture sector in their NDCs underlining the growing recognition of the importance of agriculture in the climate change agenda. With the deadline for updated, enhanced NDCs also set for COP26, IFAD will support countries in planning and realizing their national commitments on climate action in agriculture.
19. The confluence of all of these events and endeavours can create the momentum for a transformation in food systems to feed the world's population sustainably, now and in the future, under climate change.

V. Guiding questions

20. **How can IFAD apply its experience on climate resilience and food systems to partner with governments and others for a systemic transformation of food systems to increase impact and make even more of a difference to the life of poor rural people?**
21. **How can Member States and IFAD work together to bridge the Food Summit and COP26 to kick-start transformational change?**
22. **How can IFAD and Member States work together to draw greater attention to the climate finance gap faced by small-scale producers, during the lead-up to and at COP26?**
23. **Which Member States are interested in a partnership with IFAD and others to bring attention to resilience and to mobilize support for small-scale producers? What other partners or initiatives should IFAD engage with?**