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IFAD and COP26: What next?

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Key COP outcomes that are of relevance to IFAD

Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
ASAP+	enhanced Adaptation for Smallholder Agriculture Programme
GCF	Green Climate Fund
GEF	Global Environment Facility
NDC	nationally determined contribution
ODA	official development assistance
PoLG	programme of loans and grants
SDG	Sustainable Development Goal

IFAD and COP26: What next?

I. Objective and Background

1. The purpose of this paper is to support a strategic discussion with the Executive Board on areas of focus for IFAD as a follow-up to the twenty-sixth session of the Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC), which took place in Glasgow from 31 October to 12 November 2021.
2. For the first time, IFAD hosted a pavilion at the event. It was located in the blue zone of COP26, providing both a well-positioned advocacy area to highlight the breadth and depth of IFAD's work, and space for important bilateral meetings. IFAD hosted 31 events at the pavilion on a range of topics that showcased IFAD's portfolio and areas of expertise and demonstrated how the themes of adaptation and resilience to climate change cut across IFAD's investments, knowledge and policy work. Among the areas covered were livestock, private sector engagement, payment for ecosystem services, food system transformation, climate finance, post-COVID recovery, innovation, green jobs, nature-based solutions, agroecology and agrobiodiversity, pastoralism, regenerative agriculture, ecosystem restoration, food security and nutrition, gender, land rights and tenure, geospatial tools, and monitoring and evaluation and the Koronivia Joint Work on Agriculture, its engagement with indigenous peoples and youth, and its support in geographies such as small island developing states and conflict-affected areas.
3. Among the important outcomes of COP26, the most salient ones for IFAD include:¹
 - (i) The strong focus on adaptation evidenced by the pledges of developed countries to double funding for adaptation. (These commitments will however need to be monitored and validated);
 - (ii) The push for continued collaboration on the Koronivia Joint Work Programme on Agriculture;
 - (iii) The commitment to mobilize US\$1.7 billion in funding for indigenous peoples and local communities; and
 - (iv) The strong emphasis on climate change and nature loss, closely aligned with IFAD's commitment to 30 per cent climate finance for nature-based solutions by 2030 and IFAD's Biodiversity Strategy.
4. Critically, there was general recognition that climate is development and that climate considerations are particularly important for the rural poor because they are the least able to adapt to and withstand the shocks and uncertainty caused by climate change. Divorcing climate from development is therefore impossible. This recognition is increasingly important as IFAD steps up its ambition in the adaptation space and works on embedding climate into all its work on the ground. The key outcomes (listed in para. 3) are areas in which IFAD has a comparative advantage, thereby opening the door for it to take a leading role. IFAD is also well positioned to work on the gaps in rural finance and decentralized rural energy, pursuing development pathways that are low-emissions and climate-resilient and are simultaneously inclusive, just and credible.

II. Consolidating IFAD's comparative advantage in climate adaptation and resilience

5. IFAD's comparative advantage in climate change lies in its unique mandate to enable rural people to achieve food and nutrition security through building remunerative, sustainable and resilient livelihoods that are market-based and

¹ See annex I for further details on COP26 outcomes of relevance to IFAD.

rooted in low-emission, climate-resilient development pathways. IFAD is one of the few organizations that methodically measures the impact its investment projects have in enhancing the resilience of the populations they support.

6. Results from an aggregation of the estimates from individual impact assessments are positive and significant. They indicate that during the Tenth Replenishment of IFAD's Resources (IFAD10), beneficiaries were 13 per cent more resilient to multiple shocks inclusive of climate change compared to control groups, and that the resilience of 26 million beneficiaries had been increased. IFAD's contribution is increasingly recognized globally, including by the recent Multilateral Organization Performance Assessment Network (MOPAN) report, which found "IFAD was an early mover in designing climate finance instruments through the [Adaptation for Smallholder Agriculture Programme] ASAP specifically to address the threats that climate change posed to smallholder farmers and the rural poor."² This vision of simultaneously building the climate resilience and food and nutrition security of the poorest, most marginalized and climate-vulnerable rural producers, including women, youth, indigenous peoples, through innovative, market-based options, while also measuring this credibly, constitutes IFAD's unique offering.
7. **Investing in climate adaptation and resilience.** IFAD's programme of loans and grants (PoLG) is fully climate mainstreamed. All country strategies for IFAD11 (2019-2021) include an analysis of the country's nationally determined contribution (NDC) to the Paris Agreement, with a view to ensuring that IFAD operations reinforce the implementation of countries' NDCs and achievement of national climate objectives.
8. At the end of September 2021, IFAD's climate finance accounted for 35 per cent of the total PoLG, exceeding the original 25 per cent commitment for IFAD11.³ In total, US\$990 million was committed across 70 projects: US\$897 million for adaptation and US\$92 million for mitigation. In IFAD12, the target share of climate finance is 40 per cent.
9. IFAD is currently accredited to work with the Global Environment Facility (GEF), the Adaptation Fund and the Green Climate Fund (GCF). So far, it has mobilized US\$268.2 million in the 2019-2021 period. These partnerships were reinforced at COP26 through meetings held by IFAD Senior Management with the heads of GCF and GEF.
10. In 2020, IFAD launched the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) to address the climate drivers of food and nutrition insecurity and build the climate resilience of 10 million people. Building on lessons learned from ASAP,⁴ ASAP+ places greater emphasis on targeting food-insecure and fragile areas and the marginalized within these geographies, while ensuring that ASAP grant funding is blended with investments focused on, inter alia, nature-based solutions and decentralized renewable energy technologies. With a view to mobilizing US\$500 million, to date, ASAP+ has received pledges from Austria, Denmark, Germany, Ireland, Qatar and Sweden, bringing the total amount mobilized to US\$68 million. IFAD is in active discussions with other potential donors to meet the US\$500 million resource mobilization target.

² https://www.mopanonline.org/analysis/items/MOPAN_MLE_Climate_Change_July2021_web.pdf.

³ IFAD's climate finance commitments are assessed through the internationally recognized MDB Methodologies on Tracking Climate Finance. See MDBs, 2021. 2020 Joint Report on Multilateral Development Banks' Climate Finance. <https://www.eib.org/attachments/2020-joint-report-on-multilateral-development-banks-climate-finance.pdf>.

⁴ ASAP is IFAD's flagship multi-donor programme on climate change. The programme's first phase, ASAP1, was launched in 2012, investing US\$316 million across 42 investment projects globally. To date, ASAP has supported 6 million people to cope with the effects of climate change, brought more than one million hectares of land under climate-resilient practices and avoided or sequestered 60 million tons of carbon dioxide equivalent. ASAP2, involving a complementary technical assistance fund of US\$16 million, has further mainstreamed climate change across IFAD's portfolio. ASAP1 and ASAP2 have been significant in testing and scaling up innovations that can help increase productivity and yields and increase market access while ensuring resilience and sustainability. These innovations include blockchain technologies, e-vouchers, digressive insurance mechanisms, and climate-resilient infrastructure.

11. IFAD is already working with national and local authorities and companies to ensure that production of agricultural commodities is not linked to deforestation and forest degradation. As part of the Sahel Great Green Wall Initiative cofinanced by the GCF, several IFAD projects are contributing to the implementation of nature-based solutions such as agroforestry and landscape restoration, which are enhancing carbon stocks of soils and forests. IFAD's Biodiversity Strategy 2022-2025 aims to make progress on this front. In this regard, IFAD has made the commitment that by 2030, 30 per cent of its climate finance will support nature-based solutions.
12. Through operations at both the sovereign level and the non-sovereign level, IFAD is also embedding adaptation funding within its engagement with the private sector. Support for in-country private sector firms involved in Tier 2 investments; for green credit lines and decentralized renewable energy; for value chain development and agricultural mid-stream firms; and for public development banks are all examples of IFAD's work in this area. Investments under IFAD's Private Sector Financing Programme are currently supporting climate-positive projects while safeguarding against environmental and climate risks.

III. Emerging areas of focus post-COP26 for IFAD

13. The Glasgow Climate Pact offers clear evidence of the broad relevance of IFAD's mandate and priorities in global efforts to promote low-emission climate-resilient development and to fulfil the Sustainable Development Goals (SDGs). Of particular note, is the Pact's call for increased and urgent attention to: scaling up finance for climate adaptation in developing countries with an ambition to ensure an equal ratio between adaptation and mitigation; protecting, conserving and restoring nature and ecosystems; enhancing gender equality and empowerment of women; ensuring meaningful youth participation and representation in multilateral, national and local decision-making processes; recognizing and fostering indigenous peoples' and local communities' key role in effective action on climate change; and ensuring that greenwashing and impact washing are minimized through greater transparency and reporting under the Enhanced Transparency Framework.
14. In his closing remarks, COP26 President Alok Sharma said: "...we have kept 1.5 degrees alive. But, its pulse is weak and it will only survive if we keep our promises and translate commitments into rapid action." Current NDCs put the world on course for 2.4 degrees of warming. Irrespective of the revised NDCs, which are expected to put the world on a 1.5 degree trajectory, the globe will experience global warming. This means that the need for adaptation is manifest. Without sufficient adaptation, the difference in 1.5 degrees of warming and 2 degrees is the difference between 6 million or 16 million people being affected by sea level rise in coastal areas by the end of this century. A full analysis of lessons learned from COP26 will be undertaken to ensure that IFAD is well-prepared for an impactful engagement at COP27, and can maintain its place as a global leader on climate change adaptation and as a voice for the most vulnerable and marginalized. In this context, Management views the following areas of focus to be of critical importance for IFAD over the next year.

(i) Keeping climate adaptation high on the global policy agenda

15. Keeping climate adaptation and resilience high on the global policy agenda during 2022 and at COP27 will be a key priority for IFAD. The overall theme of COP27 is resilience and adaptation. To solidify the work that IFAD has done up to now, Management will actively engage with Egypt as the new COP presidency to explore opportunities, including hosting and/or participating in high-level events focused on building coalitions of the willing, and ensuring that the voices of small-scale producers and poor rural people are heard and heeded at COP27 in Sharm-El-Sheikh. IFAD will also participate actively at the conventions hosted by the United Nations Convention to Combat Desertification (UNCCD) (in 2022) and by

the Convention on Biological Diversity (in China in 2022) to underscore the linkages between agriculture, climate and nature.⁵

(ii) Food Systems Summit (FSS) synergies

16. IFAD will continue its engagement with FSS outcomes and its work on supporting countries' national pathways and NDCs through the PoLG. It will use country strategic opportunities programmes as the main entry point for identifying synergies and will closely coordinate with governments to respond to their needs. In this context IFAD will leverage new financing instruments such as ASAP+ and its non-sovereign operations, and will prioritize non-lending support, in particular policy engagement, to create the conditions for sustainable, climate-resilient results. It will continue to build and strengthen partnerships at the community, subnational and national levels, as well as with United Nations agencies, the other Rome-based agencies and international financial institutions (IFIs). Such partnerships are key for attracting diversified resources to support COP outcomes that are also synergized with food systems transformation. Specifically, it will be critical that national pathways for food systems are climate-resilient, do no harm and are inclusive and sustainable. IFAD's policy work will focus on this.
17. Management will also strategically identify and step up its engagement in relevant intergovernmental or multi-stakeholder processes, including, the G7, G20, and Committee on World Food Security. IFAD will continue to engage in the Koronivia Joint Work on Agriculture (established at COP23) to share its knowledge, expertise and experience to support countries' deliberations on a range of topics related to agriculture and climate change.

(iii) Scaling up climate adaptation finance

18. In the lead up to COP26, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation Development (OECD) issued a declaration to align official development assistance (ODA) (which totalled US\$161 billion for 2020) with the goals of Paris alignment on climate change. In essence, this means that the climate and environment impacts of all ODA will need to be considered regardless of the sector and ODA will be re-purposed towards supporting countries (especially least developed countries and small island developing states) to achieving their NDCs. Adaptation finance will be high on the agenda for ODA. This provides an opportunity for IFAD, with its high ambition on adaptation finance, to absorb more of the re-purposed ODA. IFAD, as mentioned earlier, already supports countries with their NDCs with each country strategic opportunities programme (COSOP) including the NDC commitments. However, in order for IFAD to play a leading role in being a leading agency for channelling adaptation finance to small-scale producers, it will need to build internal capacity for NDC costing in order for a more accurate estimate of associated costs for countries to deliver on their national commitments and step up on its engagement at the national level with Governments to re-purpose towards adaptation of smallholders. Another hurdle is whether IFAD will benefit from this shift in ODA given the proliferation of multilateral initiatives.
19. The Glasgow Climate Pact includes a goal to double the funding provided to developing countries for adaptation by 2025 to about US\$40 billion. At COP26,

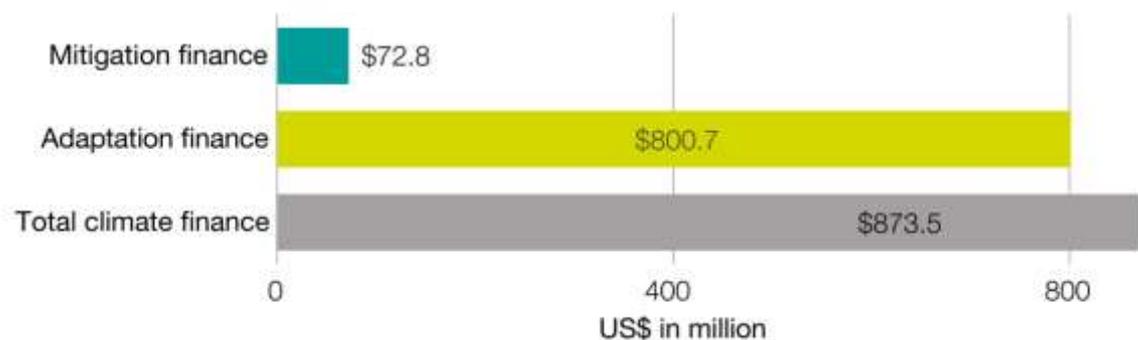
⁵ Given the recognized urgency to scale up investments for climate-positive actions in agriculture and forests, IFAD will continue to participate directly (as a United Nations entity and IFI) and indirectly (by supporting the Parties) in the process to define a "new collective quantified goal on climate finance". It will continue its work with Public Development Banks in the context of the Finance in Common Summit in order to contribute to the alignment of financial flows with SDGs, NDCs and national adaptation plans. In response to the invitation from COP, there is a role for IFAD to play in the Coalition for Convergence of Climate and Biodiversity Finance, and to engage with the International Development Finance Club and explore the possibility of submitting its views to the Standing Committee on Finance (SCF) regarding ways to achieve Article 2, para. 1(c), of the Paris Agreement. There is also an opportunity to submit data on IFAD climate finance to the SCF's upcoming fifth Biennial Assessment and Overview of Climate Finance Flows exercise (2022).

donors pledged US\$413 million to the Least Developed Countries Fund, hosted by the GEF, and US\$356 million to the Adaptation Fund. Building on these outcomes from COP26, IFAD will redouble its efforts to mobilize resources for ASAP+ through a two-pronged approach, i.e. by raising additional funds from Member States and by developing a multi-country programme, to be submitted to the GCF for financing in 2023. Beyond ASAP+, IFAD will continue to maximize efforts to mobilize cofinancing from climate funds such as the Adaptation Fund, GCF and GEF, and multilateral and bilateral partners. IFAD has a pipeline of approximately 15 projects that is expected to leverage US\$1.2 billion to US\$1.5 billion between 2022 and 2027. IFAD has also strengthened its capacity to borrow on markets. Operations are guided by the recently launched Sustainable Development Finance Framework. Plans to issue sustainability bonds in private placement form are under consideration, as a means to increase adaptation finance for smallholders. Another option is to help drive the reallocation of some of the freshly allocated special drawing rights towards accredited holders, such as IFAD, as recently proposed by the G20.

20. IFAD is ahead of the curve when it comes its share of climate finance targeted at adaptation. At COP, many organizations continued to commit to ensuring that at least 50 per cent of their investments would be focused on adaptation, rebalancing the current 18:1 share of mitigation versus adaptation financing. The figure below shows the split between climate adaptation and mitigation finance at IFAD (approximately 92 per cent adaptation to 8 per cent mitigation). This indicates that there is special niche that IFAD occupies at the nexus of agriculture and climate. In subsequent years, IFAD will strengthen this niche.^{6,7}

Figure 1

IFAD11 climate finance programming 2019-2020 (as of 31 December 2020)



(iv) Indigenous peoples

21. IFAD is a recognized leader in working with indigenous peoples. It has established an Indigenous Peoples' Forum that promotes dialogue and consultation among indigenous peoples' organizations and institutions, IFAD staff and Member States. IFAD has had an Indigenous Peoples Assistance Facility (IPAF) in place since 2007. The Facility has proven its capacity to foster self-driven development through small grants. So far, 159 projects have been financed in more than 45 countries.

⁶ IFAD's Adaptation Framework provides a repository of adaptation actions for small-scale agriculture, including livestock, forestry and fisheries, and an approach to incorporate them into project design. In conjunction with the Adaptation Framework, the Climate Adaptation in Rural Development tool provides predictive data for 17 major crops and the impacts of different climatic changes on yields, to inform adaptation actions on crop resilience. The EX-ACT tool (©FAO), is used by IFAD to calculate the carbon balance of interventions. These data are all valuable for informing project design and credibly measuring the impacts of IFAD projects. These impacts are monitored through impact assessments carried on 15 per cent of the portfolio.

⁷ https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf.

Half of the 120,000 beneficiaries are women. IPAF's next cycle will be supported by the Swedish International Development Cooperation Agency. These resources are key for highlighting indigenous peoples' adaptation strategies that build on their knowledge and practices to deal with climate shocks and, overall, with climate change. IFAD will explore opportunities to partner with the Local Communities and Indigenous Peoples Platform for 2022–2024 under the UNFCCC. For this, a review of the platform's workplan is required to identify common ground on which to partner.

22. The pledge made during COP26, supported by the Governments of Germany, the Netherlands, Norway, United Kingdom and United States, to direct US\$1.7 billion of funding to indigenous peoples and local communities in recognition of their key role in protecting the planet's lands and forests, is of great significance to IFAD's work with indigenous peoples. This will be an area of follow-up for IFAD in 2022.

(v) Paris Agreement alignment roadmap

23. There has been growing focus recently on Paris alignment among governments, United Nations organizations, multilateral development banks and the private sector. Several stakeholders have announced commitments to become Paris-aligned or net zero within the next couple of years. Against this backdrop, an important next step will be to produce a Paris alignment roadmap that will boost IFAD's and its Member States' efforts to achieve low-emission climate-resilient development. This is also necessary because several agencies for which IFAD is an accredited entity (GCF in particular) are increasingly asking to see their entities' Paris alignment plans during re-accreditation processes. IFAD will be due for GCF re-accreditation in 2023 and would therefore benefit strongly from being aligned before the re-accreditation process.
24. The goal of IFAD's Paris alignment roadmap will be to ensure that IFAD can play a key role in driving and enabling ambitious country-owned climate actions in the small-scale agriculture and rural sphere that deliver low-emission, climate-resilient and just transition pathways that contribute to the achievement of the SDGs. Given its strong credentials on adaptation to climate change, IFAD is well placed to be one of the first to be fully Paris Agreement aligned, and one of the more ambitious of the IFIs.

(vi) Carbon markets

25. Carbon pricing and carbon markets were discussed extensively at the COP26, and the negotiations on Article 6 have been concluded. Together with the increased pledges on net zero, this provides a notable opportunity to channel financial resources to small-scale farmers who are contributing to carbon sequestration and other environmental services, and to emissions reductions. Increased use of instruments such as payments for environmental/ecosystem services will be explored.

IV. Questions for the Executive Board

26. What other partners or initiatives should IFAD engage with during 2022 in the lead-up to COP27 to keep climate adaptation high on the global policy agenda? How can Member States and IFAD work together to prepare and bring tangible results to COP27?
27. How can Member States provide further support to IFAD's resource mobilization efforts, including with foundations and other non-traditional donors?
28. How can IFAD and Member States work together to support the work initiated in Glasgow related to long-term climate finance, to reduce the climate finance gap faced by small-scale producers? Considering the number of organisations trying to enter the climate adaptation space and launching new initiatives, do Member States see this as a way to avoid duplication and competition?

29. What could be a high-level initiative from IFAD and others to translate pledges made during COP into tangible actions on the ground, for the benefit of indigenous peoples, women, youth and the rural poor?

Key COP outcomes that are of relevance to IFAD

1. COP26 confirmed that climate, nature and development are inextricably interlinked and interdependent. Adaptation, finance, innovation, gender, biodiversity, youth, nutrition and the private sector have been pivotal themes throughout the meeting and are omnipresent in the Glasgow Climate Pact.⁸
2. **On adaptation.** Parties welcomed the call to at least double finance for adaptation and established a work programme to define the global goal on adaptation, which will identify collective needs and solutions to the climate crisis already affecting many countries (the Glasgow–Sharm el-Sheikh work programme on the global goal on adaptation).
3. **On mitigation.** The persistent gap in emissions has been clearly identified: 1.5 degrees becomes the new goal. Multiplication of zero net commitments will result in an increased demand for carbon credits. Parties are encouraged to strengthen their emissions reductions and to align their national climate action pledges with the Paris Agreement. The European Union and United States led a pledge to reduce methane emissions by 30 per cent by 2030, with over 100 country signatories.
4. **On land use and forests.** 110 countries and hundreds of companies from around the world pledged to end deforestation by 2030 (Glasgow Declaration on Forests and Land Use).
5. **On agriculture.** The Koronivia Joint Work on Agriculture was launched at COP23 and concluded at COP26. The original roadmap was to discuss agriculture in the context of UNFCCC, and comprised six thematic workshops. At COP26, parties agreed to continue the joint work. Countries will discuss and propose a new roadmap at COP27, which should focus on new topics and means of implementation.
6. **On finance.** It was acknowledged that finance for adaptation is drastically insufficient. The launch of a new process to define a new collective quantified goal on climate finance was discussed at length, along with the alignment of financial flows, carbon markets and the private sector.
7. **On loss and damage.** The Santiago Network was further strengthened by enhancing its support of countries to address and manage loss and damage. Scotland pledged US\$2.8 million to the Glasgow Loss and Damage (L&D) Facility. GCF was invited to enhance its support to L&D.
8. **On the Paris rulebook.** Article 6 of the Enhanced Transparency Framework was approved.
9. **On adoption of decisions related to youth, gender and indigenous peoples.** The 10-year Glasgow work programme on Action for Climate Empowerment⁹ addresses education, training, public awareness, public participation, public access to information and international cooperation on climate change with the aim of playing a key role in promoting the changes in lifestyles, attitudes and behaviours needed to foster low-emission, climate-resilient and sustainable development)
10. Decision -/CP.26 Local Communities and Indigenous Peoples Platform¹⁰
11. Decision -/CP.26 Gender and climate change¹¹

⁸ https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf.

⁹ https://unfccc.int/sites/default/files/resource/cma3_auv_3b_Glasgow_WP.pdf.

¹⁰ https://unfccc.int/sites/default/files/resource/cop26_auv_3a_LCIPP_0.pdf.

¹¹ https://unfccc.int/sites/default/files/resource/cop26_auv_13%20gender_and_climate_change.pdf.

12. On other pledges:

- (i) At least US\$1.7 billion of funding to indigenous peoples and local communities in recognition of their key role in protecting the planet's lands and forests;
- (ii) New commitments to the Adaptation Fund (US\$232 million) and to the GEF Least Developed Countries Fund (US\$413 million);
- (iii) Norway will double its climate finance commitment to US\$1.6 billion by 2026, while Denmark pledged US\$1 billion by 2023 and Japan promised US\$10 billion in the next five years;
- (iv) Following the pledges towards ASAP+ already made by Austria, Denmark, Germany, Ireland and Qatar, Sweden pledged SEK 100 million at COP26, bringing the total mobilized to US\$66 million. Discussions with other potential donors also moved forward.