

**Submission by the International Fund for Agricultural  
Development (IFAD) to the United Nations Framework Convention  
on Climate Change (UNFCCC) in relation to the Standing  
Committee on Finance Call for inputs: Information and data for  
the preparation of the report on the doubling of adaptation  
finance**

**Rome, 25<sup>th</sup> May 2023**

IFAD welcomes this opportunity to submit its view to the UNFCCC Standing Committee on Finance (SCF) regarding their call for Information and data for the preparation of the report on the doubling of adaptation finance.

IFAD, the International Fund for Agricultural Development, is a specialized agency of the United Nations and an international financial institution. Its primary mission is to invest in rural communities, empowering them to enhance their food security, improve nutrition, and increase incomes. As both a specialized agency and an international financial institution, IFAD plays a crucial role in aggregating climate finance. It channels this finance, with a particular emphasis on adaptation finance, to reach marginalized and vulnerable groups, ensuring that the last mile is effectively reached. IFAD's inputs to this call for action will be informed by its expertise in access to adaptation finance, ownership of adaptation finance, the impacts and measurement of adaptation finance, as well as the challenges and opportunities associated with adaptation finance. This lens will guide IFAD's contributions to the ongoing discussion on climate action.

### **IFAD contributions**

- 1. The effectiveness of adaptation finance, including measuring impacts/outcomes, timely access to finance, and country ownership*

Adapting to climatic changes and building resilience to shocks and anomalies is of critical importance to small scale producers who are the most vulnerable to extreme weather events as well as gradual changes. Small-scale producers, particularly the poor and most vulnerable communities, inhabit some of the most vulnerable landscapes and rely on climate-sensitive natural resources to make a living. They are at the heart of IFAD's mandate.

They are often overlooked in global and national policy debates and only about 1.7 percent<sup>1</sup> of the tracked money invested globally in supporting climate adaptation and mitigation is reaching small-scale producers, and mostly going to mitigation objectives compared to adaptation.

Supporting rural small-scale producers to adapt to climate change is a priority for IFAD's investments and has been mainstreamed in IFAD operations. IFAD's [Adaptation for Smallholder Agriculture Programme \(ASAP\)](#) has also been supporting farmers to adapt to climate change since 2012.

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<sup>1</sup> <https://www.ifad.org/en/web/latest/-/news/climate-finance-neglects-small-scale-farmers-new-report>

Between 2019 and 2022, has invested about \$1491 million in climate finance across the developing world. Most of this finance, around 90 percent (US\$1364M), went to climate adaptation interventions for small-scale producers.

## 2. Methods for measuring adaptation finance outcomes

Since 2019, IFAD uses the *MDB Methodologies for Tracking Climate Change Adaptation and Mitigation Finance* to track its climate investments within its regular portfolio of loans and grants, in line with the Paris Agreement’s commitment to ensure that adaptation needs are duly financed. As a result, all new IFAD projects that are identified as making climate investments are required to adopt an appropriate selection of environment and climate change results indicators (table below), to ensure these investments achieve the results the project has set out to realise, on the basis of the detailed climate risk screenings and adaptation option selection.

	<b>Output level</b>	<b>Outcome level</b>
<b>IFAD adaptation indicators</b>	<p><b>CI 3.1.1:</b> Number of groups supported to sustainably manage natural resources and climate-related risk</p> <p><b>CI 3.1.2:</b> Number of persons provided with climate information services</p> <p><b>CI 3.1.4:</b> Number of hectares of land brought under climate-resilient management</p>	<p><b>CI 3.2.1:</b> Number(Percentage) of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</p> <p><b>CI 3.2.3:</b> Number (Percentage) of persons/households reporting a significant reduction in the time spent for collecting water or fuel</p>
<b>IFAD mitigation indicators</b>	<p><b>CI 3.1.3:</b> Number of persons accessing technologies that sequester carbon or reduce greenhouse gas emissions</p>	<p><b>CI 3.2.1:</b> Number of tons of greenhouse gas emissions (CO2e) avoided and/or sequestered</p>

To further complement the numeric data provided by IFAD’s environment and climate change indicators, IFAD is refining a **resilience scorecard** methodology. This work is inspired by the by [DFID KPI4-methodology](#), and IFAD has adapted it to cover economic and social shocks, crisis and stresses in addition to the ones linked to climate change.

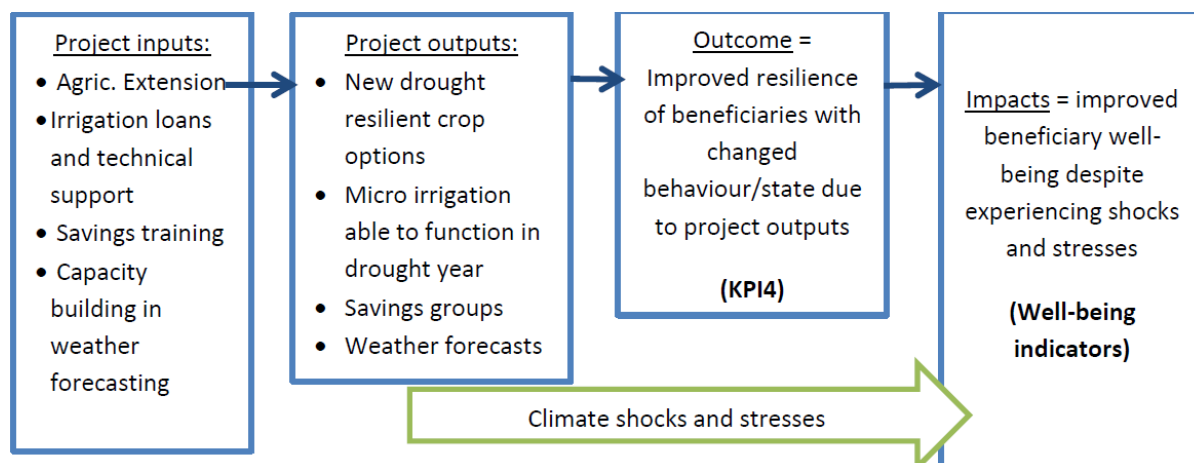
When resilience is put at the core of a project design, and supports the development of the project’s theory of change, the scorecard asks the question: “what makes the different target families vulnerable to shocks, crisis and stress in a particular context”.

Subsequently the tool help to systematically identify what are the capacities the project should build and elements it should strengthen to:

- (i) avoid an unacceptable household/families increase in vulnerability when a shock or crisis happens;
- (ii) ensure a fast recovery to the same or even better livelihood levels; and
- (iii) allow household/families to adapt and be proactive in addressing slowly growing stresses (e.g. increasing temperatures, systematic exclusion of youth and in particular young women from rural economic activities).

This is a flexible approach to assess the resilience of rural families, with the aim of building a unique context-specific matrix based on various components of resilience. [A scorecard methodology has the advantage of capturing interrelated dimensions of resilience with more nuance than individual results indicators can.](#) This tool has already been applied in projects in Nicaragua, Dominican Republic, Guyana, Palestine, Tanzania, Brazil, Angola, Lao PDR.

Figure 1 - How to design a simple resilience index using the scorecard



**Theory of change (ToC):** a combination of adopting a drought resilient crop, using micro-irrigation, family membership of a saving group and making use of weather forecasting for deciding when to plant constitutes improved resilience due to the project, which will enable well-being to be maintained in a drought year.

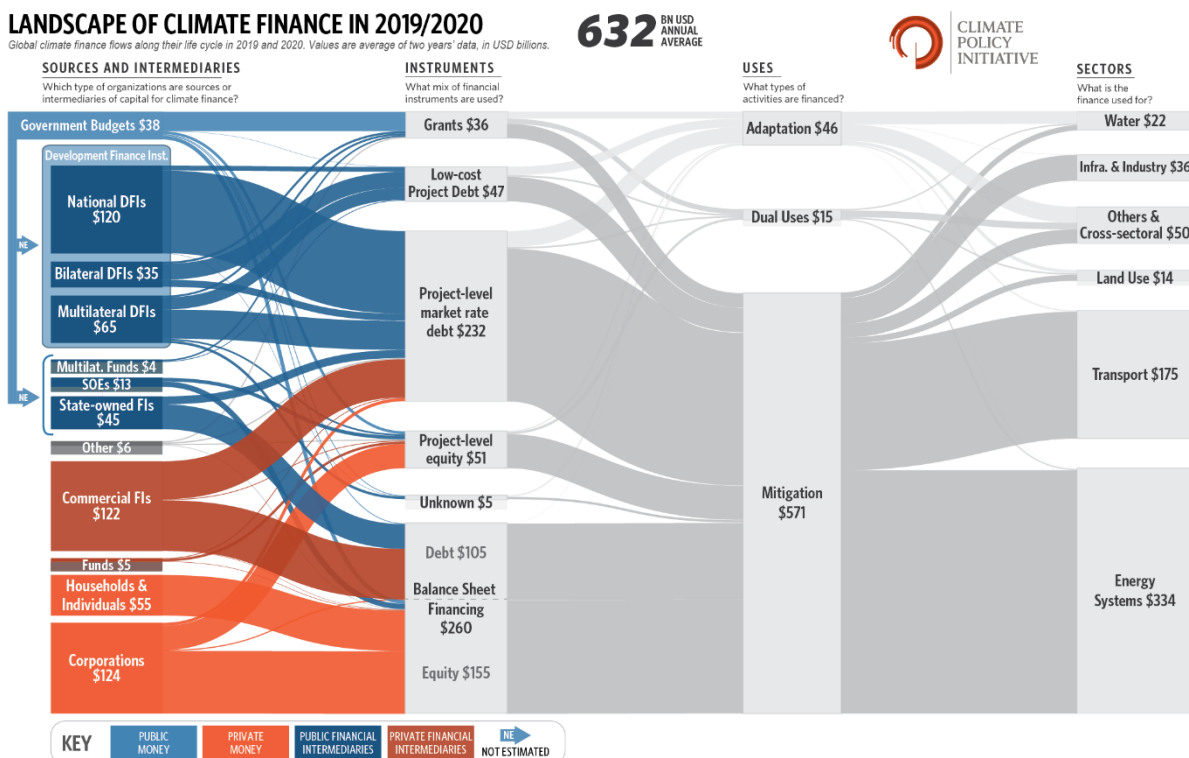
More information is available here: [https://www.ifad.org/en/web/knowledge/-/resilience-design-and-monitoring-tool?p\\_l\\_back\\_url=%2Fen%2Fweb%2Fknowledge%2Fpublications%3Fdelta%3D100](https://www.ifad.org/en/web/knowledge/-/resilience-design-and-monitoring-tool?p_l_back_url=%2Fen%2Fweb%2Fknowledge%2Fpublications%3Fdelta%3D100)

3. *Balance between mitigation and adaptation and the context of taking into account country-driven strategies, priorities and needs for adaptation. Including for particularly vulnerable developing countries; Access to adaptation finance*

IFAD bucks the trend when it comes to the split between adaptation and mitigation finance. Many institutions have recently made pledges to assure that at least 50 per cent of their climate finance is adaptation focused. Since IFAD has tracked climate finance (from 2019 onwards) the share of adaptation finance has been equal to or higher than 90 per cent.

IFAD has fortunately been the recipient of large amounts of grant financing through its Adaptation for Smallholder Agriculture Programme (ASAP) which it has utilised to pilot and test innovations. This grant financing allows IFADs member states to test innovations at zero risk, which allows them in turn to test the efficacy of interventions before committing borrowed resources to them.

Mitigation activities have historically received the largest amounts of climate finance due to their proven returns (see below CPI graphic Landscape of climate finance in 2019/2020). This also means that it is easier to crowd in the private sector for these activities. Despite having a smaller financing gap, the adaptation finance gap is less likely to be filled as the business case has not been successfully made for many adaptation techniques. Adaptation is crucial. Estimated annual adaptation needs are USD 160-340 billion by 2030 and USD 315-565 billion by 2050. It is for this reason that IFAD has made knowledge production and dissemination a core tenet of ASAP. Proving the business case for adaptation is key for country uptake. Feasible solutions already exist, but more support must reach vulnerable communities - and this starts with evidence.



#### 4. Ownership;

The success of adaptation interventions relies on strengthened local ownership and effective exit strategies. Community-driven approaches contribute significantly to building adaptive capacity and promoting the adoption and maintenance of adaptation and mitigation technologies. IFAD projects have prioritized mainstreaming climate change in extension systems, involving farmers' organizations to foster ownership and sustainability. Long-term planning of funding mechanisms enhances sustainability.

IFAD's ASAP initiative has shown that context-specific and inclusive training content, tailored to marginalized actors like women and young people, yields

better results in extension systems. Local planning processes, involving diverse stakeholders, including women and youth, raise awareness and facilitate the uptake of climate-smart solutions. This approach has been successfully scaled up in new IFAD-approved projects. Collaboration with municipal and local governments, as observed in Mali and Vietnam, demonstrates the alignment between local and national policies, highlighting the commitment and ownership at the national level. Involving research agencies, such as WOCAT and national agricultural research institutes, tailors innovations to specific country contexts, builds national capacity, and enhances the sustainability of interventions through increased ownership.

All IFAD projects operate on a demand-led approach, meaning they align with the specific needs of governments in accordance with their National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs). The government actively participates in the project design and ultimate approval. Moreover, the government, along with their designated executing agencies, assumes full responsibility for the implementation, taking the lead and ownership throughout the process.

#### *5. The impacts of adaptation finance: selected insights and experience.*

As an international financial institution, IFAD stands out by reporting the impact of its entire portfolio. By undertaking comprehensive impact assessments, IFAD seeks to provide transparent and evidence-based insights into the outcomes of its investments on its target groups. This commitment to accountability ensures that the effectiveness of IFAD's efforts is continually evaluated, allowing for informed decision-making and the identification of areas for improvement. Ultimately, IFAD's dedication to impact measurement serves as a foundation for driving positive change and advancing sustainable development in rural communities.

IFAD's Research and Impact Assessment (RIA) Division undertook impact assessments on a representative sample of 24 projects that were completed during IFAD's 11th replenishment cycle that ended in 2021, which represents 25 per cent of the total IFAD projects completed during that replenishment period. In the IFAD approach to impact assessment, the assessment team identifies a representative sample of beneficiaries (the treatment group) and compares their situation with a similar group of households that have not been affected by the project's activities (the comparison group) using a number of indicators that are associated with IFAD's goal, strategic objectives and climate change.

Figure 2- Generating evidence on climate change adaptation in IFAD projects

This note briefly describes some findings from six impact assessments selected for their diversity in terms of climate adaptation needs and IFAD's interventions. The purpose here is not simply to illustrate the wide range of impacts IFAD investments are having on the resilience of the beneficiaries, but also to show how different indicators can be used to measure this impact.

<https://www.ifad.org/ifad-impact-assessment-report-2021/assets/pdf/climate-change-adaptation-note.pdf>

Through analysis conducted with data from household and community surveys for the impact assessment, IFAD has looked at the overall adoption rate of the most promoted adaptation options and at the impacts in increasing adoption for beneficiaries for ASAP funded projects.

To ensure the specific requirements of adaptation were met, a comprehensive analysis was conducted for each project, encompassing a detailed study of the context and the promoted adaptation options. These findings were then incorporated into a screening tool, which included relevant indicators to measure the adoption of each option. Additionally, specific questions were formulated to gather the necessary variables for constructing the indicators. This meticulous approach resulted in the inclusion of tailored questions in the data collection tools for each assessed project.

The household-level adaptation strategies employed in the sample, along with geo-referenced climatic variables, were integrated into the overall analysis. This comprehensive analysis aimed to identify key indicators of production and resilience. By combining information on individual household strategies and climatic conditions, the analysis provided valuable insights into the effectiveness of adaptation measures and the overall resilience of the system.

Here are links to the entire impact assessment of IFADs [eleventh](#) and [tenth](#) replenishments.

Figure 3 - Case Study

### **Economic Inclusion Programme for Families and Rural Communities in the Territory of Plurinational State of Bolivia (ACCESOS)**

The Economic Inclusion Programme for Families and Rural Communities in the Territory of Plurinational State of Bolivia (ACCESOS) provides a good example of where different indicators clearly showed an impact on resilience. The main objective of ACCESOS, which received financing from [ASAP](#), was to improve livelihoods of rural farming families by improving their capacities to sustainably manage natural resources (land, water and natural vegetation) and to promote greater financial inclusion and literacy. The analysis carried out by the impact assessment team found that the perceived ability of households to recover from the different shocks they experienced (both climatic and others) was significantly higher among the treatment group than the comparison group. The assessment also found that income diversity, which is also considered as a proxy indicator for resilience, were greater in beneficiary households than in the comparison group. These two indicators are specifically intended to measure impact on resilience. However, resilience is also associated with the degree to which climate-resilient agricultural practices have been adopted by the beneficiaries. For ACCESOS, the impact assessment found that the rate of adoption of climate-resilient agricultural practices that can improve natural resource management (e.g. agroforestry, the cultivation of climate-resilient crop varieties, irrigation and erosion control) was significantly higher in the beneficiary households than the comparison group. The adoption of these practices, which led to greater on-farm crop diversity, also contributed to a 13 per cent increase in gross annual income per capita and 25 per cent increase in ownership of productive assets for households in the treatment group than the comparison group. All these indicators serve to show that ACCESOS was not only able to build the resilience of the beneficiaries, but that this resilience is intricately entwined with improved farm production practices and economic mobility.

### Challenges and opportunities in doubling adaptation finance

*Description of key challenges to at least double adaptation finance including meeting the needs of developing countries and overcoming constraints to scaling up adaptation finance.*

There are several key challenges associated with adaptation financing:

- **Insufficient Funding:** The availability of adequate financial resources for adaptation efforts is a significant challenge. Many developing countries, particularly the most vulnerable ones, face a funding gap in accessing the necessary resources to implement adaptation measures effectively.
- **Limited Access to Finance:** Limited access to finance, particularly for developing countries and vulnerable communities, hinders their ability to access and utilize adaptation funds. Barriers such as complex application procedures, lack of financial institutions, and stringent eligibility criteria make it difficult for these entities to access the funding they require.

- **Unclear Allocation of Funds:** The allocation of adaptation funds is often unclear, leading to uncertainty and inefficiencies. There is a need for transparent and equitable mechanisms to distribute funds, ensuring they reach the most vulnerable regions and communities.
- **Short-Term Funding Focus:** Many adaptation financing initiatives have a short-term focus, which can hinder the implementation of long-term adaptation strategies. Sustainable adaptation requires continuous and predictable funding over an extended period to address evolving climate risks.
- **Lack of Coordination and Collaboration:** Limited coordination and collaboration among various stakeholders involved in adaptation financing can lead to fragmented efforts and inefficiencies. Strengthening coordination among international organizations, governments, financial institutions, and local communities is essential to maximize the impact of adaptation financing.
- **Difficulty in Measuring and Monitoring Adaptation Impact:** Assessing the effectiveness and impact of adaptation investments can be challenging. There is a need for robust monitoring and evaluation frameworks to track the progress, outcomes, and effectiveness of adaptation projects funded through financial mechanisms.
- **Political and Policy Barriers:** Political and policy barriers, including conflicting priorities, limited political will, and policy gaps, can hinder the effective mobilization and allocation of adaptation funds. Policy coherence and alignment with national development plans are crucial to integrate adaptation financing effectively.
- **Limited Private Sector Engagement:** Private sector involvement in adaptation financing is often limited. Engaging the private sector through innovative financing models, public-private partnerships, and incentives can unlock additional resources and expertise for adaptation efforts. One important lesson of engaging with the private sector, has been that the main motivation for the private sector to engage in adaptation is to minimize supply chain risk.
- **Limited overlap between Biodiversity and Adaptation agendas:** Currently there is not enough nexus thinking around climate change adaptation and biodiversity. There are clear and easy win-wins which can strengthen action towards both targets. A first step is that countries can update NDCs and NBSAPs in one process (and, where possible, NAPs), and review Long-Term Strategies to ensure it encompasses NBSAPs priorities so that financing is then used to deliver NBSAPs also contributes to achieve NDCs/NAPs/LTS and vice versa. This would also support countries with finance mobilisation at they would mobilise finance to deliver their NDC and NBSAPs activities jointly. This would lead to countries and partners ensuring that biodiversity funding also contributes to climate goals by integrating climate targets to biodiversity funds. This would allow a greater flow of finance to be tagged as climate change adaptation whilst also boosting results in that area. This would have the same effect on biodiversity finance flows that come from climate adaptation funds.
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Addressing these challenges requires concerted efforts from the international community, governments, financial institutions, and other stakeholders to mobilize and allocate adequate, accessible, and sustainable financing for adaptation actions. It is possible to build partnerships with the private sector to mobilize valuable technical capacities and scientific knowledge for climate adaptation but the key challenge of absence of bankable projects remains. While the public sector is more amenable to consider bankability in terms of social benefits (including climate resilience), the private sector requires that benefits be translated into 'potential financial returns' and 'profitability' terms. IFAD is starting to work with the private sector in testing 'monetising' approaches. Preparatory financing and financing for de-risking climate investments are part of greater engagement in this space.

*Description of key opportunities to at least double adaptation finance, including unrealised opportunities in key sectors, and enhancing country ownership.*

Engaging the private sector, especially in the absence of sufficient public sector financing, is of utmost importance. In collaboration with the COP27 Presidency, IFAD is spearheading the concept of resilience credits to facilitate private sector involvement. Resilience credits serve as a financial instrument that quantifies the benefits derived from resilience-building initiatives, transforming them into tradable assets.

These credits are generated when projects or initiatives enhance the capacity of communities or systems to withstand, adapt to, and recover from various disruptions and shocks, such as natural disasters, economic downturns, or external threats. By incentivizing investments in resilience-enhancing projects, resilience credits demonstrate the value of such measures and offer potential financial returns for investors.

Establishing resilience credits as a new asset class enables their trading among different stakeholders, including project developers, investors, and buyers. This creates a market for resilience credits, promoting price discovery, transparency, and liquidity. The resilience credit market can help bridge the financing gap for resilience-building initiatives, fostering a more resilient and sustainable future.

Further information on resilience credit can be found [here](#).

Championing a blended finance method, IFAD is paving the way for the realization of the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM). Pending the approval of the GCF Board, ARCAFIM, with a budget of \$600 million across four phases, plans to initiate its operations first in East Africa. This ambitious endeavor is constructed around two interconnected pillars:

*Effective Financing for Rural Adaptation:* This component aims at providing essential financial resources for Climate Change Adaptation (CCA) in Kenya, Tanzania, Uganda, and Rwanda. It involves a blend of international funds and matching contributions from a host commercial bank, enhancing accessibility for small producers and rural Micro, Small, and Medium Enterprises (MSMEs). This funding structure encourages active participation in ARCAFIM, including a credit risk-sharing model where IFAD's partners cover 20% of the first loss, 60% of the second loss shared between the partners and host bank, while the host bank shoulders the remaining 20% senior tranche.

*Innovations and Capacity for Rural Adaptation:* This grant-based component targets the non-financial obstacles limiting greater CCA financing in ARCAFIM countries. It focuses on empowering Participating Financial Institutions (PFIs) and increasing their capacity to offer CCA financial services to the small producer and MSME markets. Simultaneously, it enhances the financial literacy skills and CCA investment capacities of small-scale producers and rural MSMEs.

ARCAFIM aims to create a favorable climate finance environment through policy dialogues, inspiring wider application of its model beyond immediate stakeholders. Successful implementation could prompt African financial institutions and international financiers to revise their climate finance policies and explore new opportunities based on climate-smart agricultural practices and cutting-edge climate change adaptation technologies. The ultimate goal is to inspire a ripple effect of change, catalyzing sustainable transformation in global food systems financing.

IFAD is also an executing agency of the Green Climate Fund (GCF). As part of this partnership, IFAD has led the GCF-Great-Green Wall Umbrella Programme. The Great Green Wall (GGWI) is an ambitious, large-scale tree-planting initiative across the Sahel – and, as such, it will need a great deal of financial support. The [GCF-GGW Umbrella Programme](#) will galvanize and help monitor and implement GCF projects and investments designed to build forest resources, strengthen agro-pastoralist practices and provide water and access to local markets.

The Inclusive Green Financing Initiative (IGREENFIN) is one example of a project within the GCF-GGW umbrella. IGREENFIN's objective is to support access to credit for green agricultural investments. It will help Local Public Development Banks set up lines of credit and align their investment portfolio and governance systems towards participating countries' Nationally Determined Contributions – their individual commitments towards the goals of the Paris Climate Agreement – to help them both meet their Paris targets and achieve the UN Sustainable Development Goals

Similarly, in Burundi, IFAD and GCF financing are helping build farmers' resilience to climate change in the upper, middle, and lower Imbo and Moso catchments and to increase agricultural productivity and food security through adoption of better agroecosystem management practices to conserve soil and water resources. The project will reach 573,540 beneficiaries.

IFAD is also increasingly focussed on biodiversity issues in their interventions. The Upper Tana Catchment Natural Resource Management Project (UTaCNRMP) in Kenya, implemented from 2012 to 2022, focused on the rehabilitation of degraded forests. As part of the project, 1,543 hectares of degraded forestland in the Mt Kenya and Aberdares forest ecosystems were successfully restored. This restoration is crucial for preserving the ecosystem's ability to capture rainfall and moisture, which sustains the river system benefiting local communities. Furthermore, the restored forests play a role in carbon sequestration and the conservation of non-timber forest products. In parallel, the project facilitated the development of 13 participatory forest management plans (PFMPs) and provided funding support to 30 plans within a 10-kilometer buffer zone around the Mt. Kenya and Aberdares Forest Ecosystems. The funding was administered through matching grants by the Water Sector Trust Fund (WSTF), aiding in the implementation of these plans.

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