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Call for evidence: *Information and data for the preparation of the fifth Biennial Assessment and Overview of Climate Finance Flows*
IFAD submission

IFAD
Investing in rural people

Contents

Overview

IFAD welcomes this opportunity to make its first-ever submission to the UNFCCC Standing Committee on Finance (SCF), with information on climate finance investments made through IFAD's Programme of Loans and Grants (PoLG) in the reporting years 2019 and 2020. As both a specialised agency of the United Nations and an international financial institution (IFI), IFAD's unique mandate is to collaborate with developing countries and channel resources towards their agricultural development. This means all the climate investments detailed in this submission are sectoral, dedicated to sustainable agriculture, land use, forestry and fishing for poor rural communities. Due to IFAD's emphasis on strengthening the incomes and food security of small-scale rural producers, the vast share of IFAD's climate finance is directed towards climate change adaptation.

For the 11th replenishment period of IFAD's resources (IFAD11), 2019-2021, IFAD committed to ensuring that 25 per cent of its PoLG was programmed as climate finance. In dollar terms, some US$875 million of its US$3.5 billion replenishment should count as climate finance. This financing aims to support IFAD members in delivering on their climate priorities and commitments, as reflected in their Nationally Determined Contributions (NDCs) under the Paris Agreement. To monitor progress against this commitment, IFAD adopted the *Multilateral Development Bank methodologies for tracking climate change adaptation and mitigation finance (MDB Methodologies)*, used by the major MDBs since 2011 to report jointly on their climate finance.

IFAD11 concluded in 2021, and IFAD is proud to report that its target was not only met but exceeded: US$1.2 billion were programmed in climate finance overall between 2019-2021, amounting to 35 per cent of IFAD11 PoLG. Of this total, US$1.1 billion supported adaptation activities (92 per cent), and US$ 0.9 billion supported mitigation activities (8

per cent), with strong synergies across both. IFAD's climate focus has been further reinforced in its current replenishment period, IFAD12 (2022-2024), where at least 40 per cent of IFAD12 PoLG will be programmed as climate finance. **Part 1** of this submission details IFAD's climate finance approvals in 2019 and 2020 specifically, in line with the scope of the *Fifth Biennial Assessment and Overview of Climate Finance Flows*. To note, as the SCF's call for data is not aligned to IFAD's replenishment cycles and targets, in Part 1 gives only a partial picture of progress towards the IFAD11 targets, as at end 2020. Full reporting on all IFAD11 climate finance programming can be found in IFAD's forthcoming Climate Action Report 2021.

As foreseen by the *MDB methodologies*, IFAD's climate finance is calculated on an ex ante basis at the project design stage, based on the budgets of different components, subcomponents and activities. Further methodological details can be found in **Part 2** of this submission. During project implementation, IFAD monitors climate and environment results achieved through dedicated environment and climate indicators in project logframes, as well as through impact assessments at completion – this is elaborated in **Part 3.**

To avoid double counting, this submission does not cover resources leveraged from the global climate funds to which IFAD is accredited: the Adaptation Fund (AF), Green Climate Fund (GCF) and Global Environment Facility (GEF). As operating entities of the UNFCCC's financial mechanism, reporting on climate finance channelled through the AF, GCF and GEF is undertaken separately. As the reporting period 2019-2020 saw no new project approvals under IFAD's flagship climate trust fund, the Adaptation for Smallholder Agriculture Programme (ASAP),[1] no related investments are reported in this submission either. However, a new and enhanced phase of this programme, known as ASAP+,[2] began resource mobilization in 2020. A short future outlook is shared in **Part 4**.

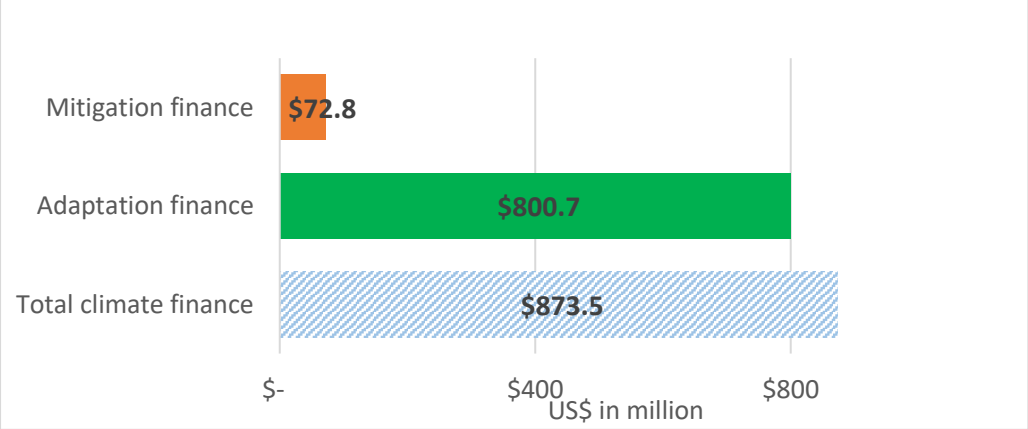
Finally, the invitation to share examples and lessons learned around gender mainstreaming and nature-based solutions is addressed in **Case Boxes**.

Part 1. IFAD's 2019-2020 climate finance flows

IFAD programme of loans and grants

Between 1 January 2019 and 31 December 2020, IFAD committed US$873.5 million in climate finance across 61 approved projects. Expressed on a rolling basis, this represents 35 per cent of the IFAD11 PoLG approved as at end 2020. Of this total, US$800.7 million was identified as adaptation finance and US$72.8 million as mitigation finance (**Figure 1**).

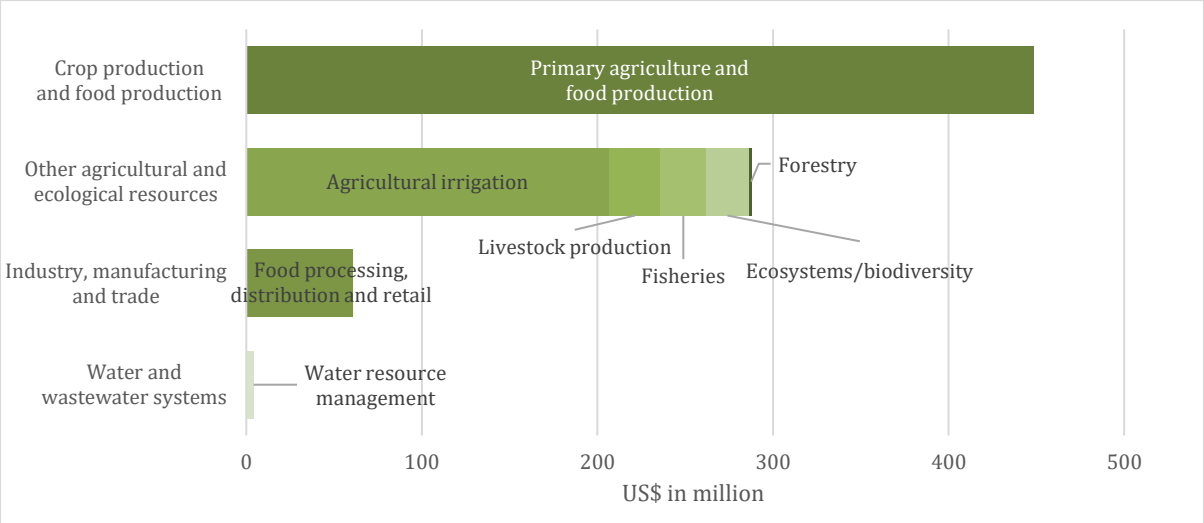
Figure 1. IFAD11 climate finance programming 2019-2020



[1] https://www.ifad.org/en/asap
[2] https://www.ifad.org/en/asap-enhanced

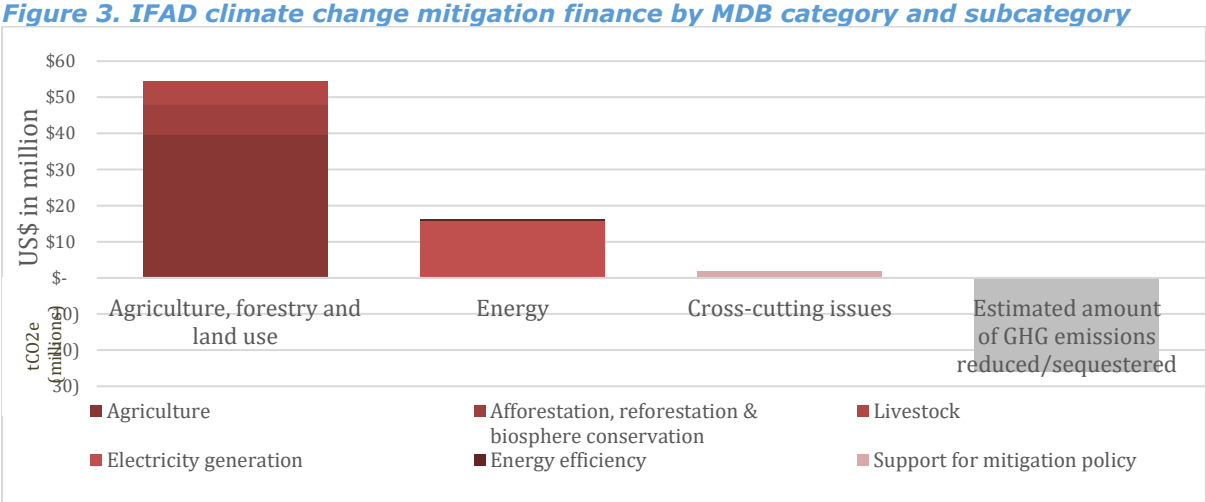
Figure 2 breaks down IFAD's US$800.7 million in adaptation investments by MDB adaptation sectors and corresponding subsectors.[3] Across 2019 and 2020, more than half of IFAD's adaptation investments (US$448.4 million) supported crop and food production, followed by other agricultural and ecological resources (US$287.6 million). Smaller portions were invested in industry, manufacturing and trade (US$60.5 million), and water and wastewater systems (US$4.2 million).

Figure 2. IFAD climate change adaptation finance by MDB sectors and subsectors



The US$72.8 million that IFAD programmed in mitigation finance in 2019-2020 was directed to nine projects.[4] **Figure 3** presents IFAD's mitigation finance according to the categories and subcategories of the MDB methodology on tracking climate change mitigation finance.

Figure 3. IFAD climate change mitigation finance by MDB category and subcategory



Mitigation investments are mapped at activity level against a positive list of eligible mitigation activities established by the MDBs. The bulk of IFAD's mitigation investments flowed to the agriculture, forestry and other land use (AFOLU) sector (US$54.5 million).

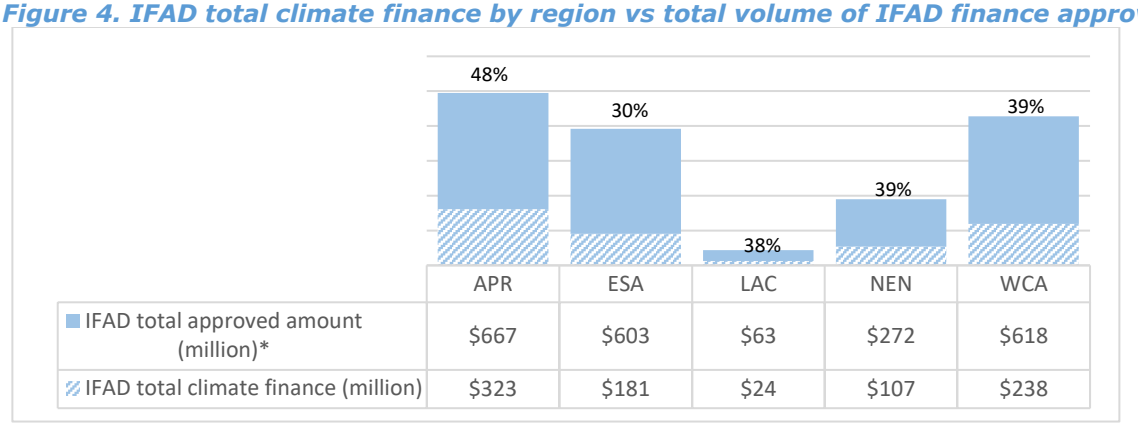
[3] For the purpose of preparing these Figures, MDB adaptation sectors and subsectors are mapped at project level (not at activity level, as done for mitigation finance).
[4] IFAD only counts mitigation finance in projects that include an ex ante GHG assessment (using an internationally recognized GHG accounting methodology), which establishes the emissions reduction potential of the investment. Any adaptation investment with the potential for mitigation co-benefits that remain unquantified is counted as adaptation finance, but is flagged for its mitigation potential. During implementation, a project may wish to pursue and quantify these mitigation co-benefits.

IFAD's second-largest mitigation investment area was energy (US$16.4 million). Support for national, subnational and local policies that promote mitigation action amounted to US$1.9 million. The total estimated GHG reduction potential of IFAD projects, including mitigation finance, amounts to -25.8 million tonnes of GHG measured in carbon dioxide equivalent (CO_2e) over 20 years, based on their aggregated Ex-Ante Carbon Balance Tool (EX-ACT)[5] analyses.

Regional distribution

Figure 4 shows that most of IFAD's climate finance was programmed in the Asia and the Pacific Region (APR, US$323 million) followed by West and Central Africa (WCA, US$238 million), Eastern and Southern Africa (ESA, US$181 million), Near East, North Africa and Europe (NEN, US$107 million) and Latin America and the Caribbean (LAC, US$24 million). LAC's lower amount is due to the comparatively lower volume of finance approved overall in the region. However, climate finance investments represent a promising 38 per cent of the total approved in LAC, surpassing ESA's investment in climate finance (30 per cent). Although WCA is the region where the most projects have been approved to date (23 projects), APR has the largest average amount of climate finance per project (with an average of US$23.1 million across 14 projects approved).

Figure 4. IFAD total climate finance by region vs total volume of IFAD finance approved[6]



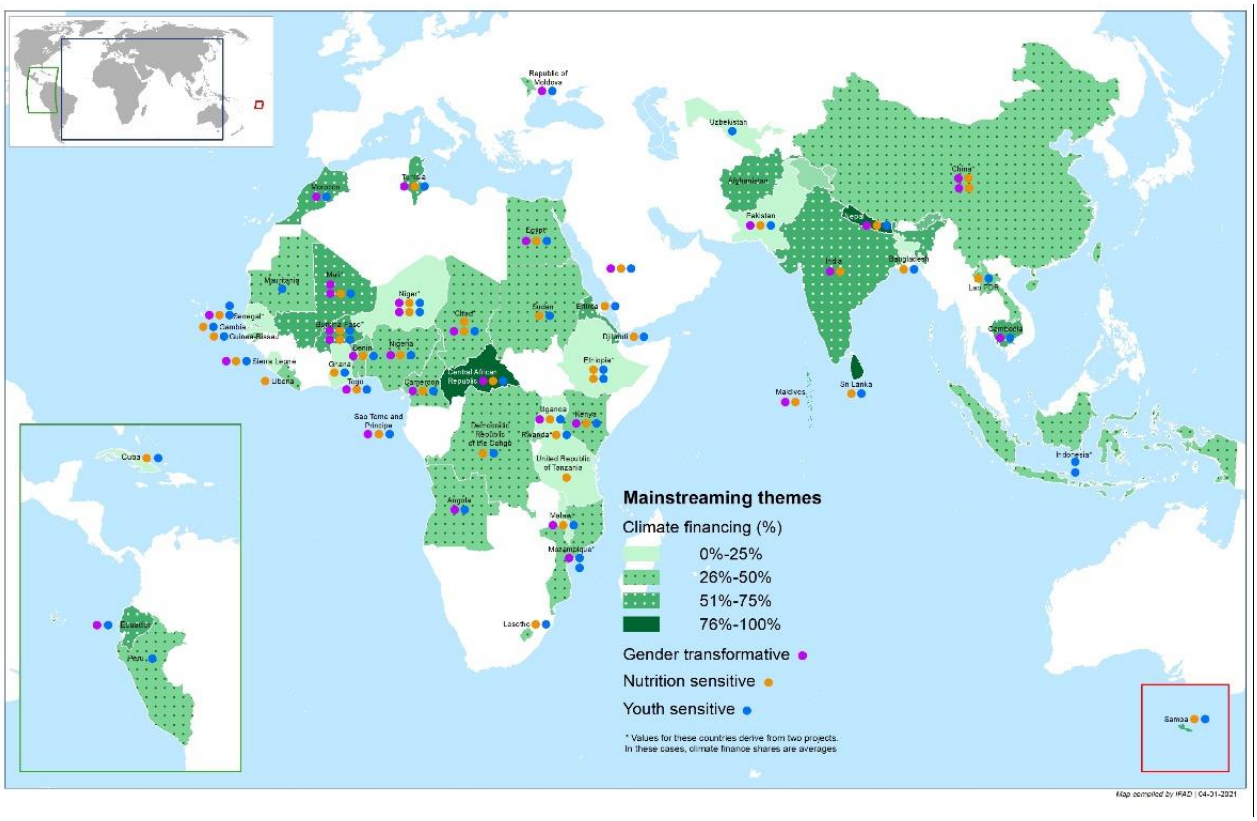
Inclusive investments: The benefits of climate financing directed to small-scale farmers are not restricted to climate change mitigation and adaptation. The activities and projects made possible through climate finance also support socially inclusive sustainable rural development that can meet the needs of young people, women and poor communities facing food and nutrition insecurity. IFAD climate investments also support the Fund's social inclusion themes (gender, nutrition and youth). **Figure 5** indicates where climate financing is being directed and the social inclusion themes to which it contributes.[7]

[5] https://www.fao.org/in-action/epic/ex-act-tool/suite-of-tools/ex-act/en/

[6] To note, the overall finding that 35 per cent of IFAD PoLG approved in 2019-2020 was validated as climate finance also factors in other PoLG resources, not reflected in **Figure 4**. This includes emergency operations, resources from IFAD's Rural Poor Stimulus Facility, Disbursement Linked Operations and the IFAD grants programme, amongst others. Not all of these resources are subject to IFAD mainstreaming validation and climate finance tracking, or attributable to a particular region.

[7] Shading in **Figure 5** indicates that a project has been approved in the country in question in 2019-2020. Asterisks denote countries where two or more projects have been approved, and results have been aggregated.

Figure 5. Climate finance programming and social inclusion themes in 2019-2020



Gender mainstreaming and transformation. Focusing specifically on gender, in IFAD11, IFAD aimed to reach beyond gender mainstreaming to actively pursue gender transformation in at least 25 per cent of projects approved. This target was also exceeded: 41 per cent of IFAD11 approvals were validated as gender transformative. An IFAD gender transformative project actively seeks to transform gendered power dynamics by addressing social norms, practices, attitudes, beliefs and value systems that represent structural barriers to women's and girls' inclusion and empowerment. For a project to be validated as gender transformative, the project's situation analysis, theory of change, logframe and human and financial resourcing have to respond to key criteria, subject to an internal validation process. An example of a gender transformative project with a strong climate focus and synergies also across the themes of youth and nutrition is provided in **Case Box 1.**

Case Box 1. The Economic, Social and Solidarity Project in Tunisia

Project title: The Economic, Social and Solidarity Project in Tunisia (IESS-Kairouan)
Approval year: 2019
Project implementation: 2021-2027
Total IFAD investment: $23.8 million
Total IFAD climate finance: $14.6 million (60% of total finance)
IFAD social inclusion themes: Gender transformative, youth sensitive, nutrition sensitive

Rural women in Tunisia are vulnerable for several reasons, including the out-migration of men, poor access to productive resources and risk of exploitation. In addition, 32 per cent of rural women in Tunisia are illiterate and only 19 per cent have independent sources of income. Climate variability and change – principally characterized by rising temperatures, longer periods of drought and more violent torrential rains – is further undermining such underlying vulnerabilities. IESS-Kairouan aims for at least half of its target beneficiaries to be women, and has identified several complementary pathways for women's empowerment in this context. The Gender Action Learning System (GALS), a community empowerment methodology built on principles of gender equity, will be used to foster community learning, inclusion and to help identify beneficiaries for micro-projects in a participatory manner.

Beneficiary households will benefit from life skill training, literacy and financial education as well as technical training. Three kindergartens will be established to alleviate the workload of mothers and girls by providing childcare, help improve nutrition and health of children and provide nutrition education for parents. A total of 700 children are expected to benefit, and at least 1 000 women will be involved in nutritional information and awareness outreach.

With the kindergartens increasing the time women have available, the project will help strengthen rural families' food and nutrition security and promote income-generating activities. Though market gardening is limited by growing water scarcity in the project regions, complementary project investments focus on small-scale irrigation infrastructure and the promotion of climate-resilient technologies and practices to sustainably address these climatic risks. Families will be coached to manage micro-gardens for self-consumption, to help diversify their diets. They will also be supported to market the products and by-products of prickly pears, which are naturally available and drought-resilient. 65 per cent of the beneficiaries of these activities are expected to be women and 50 per cent young people. These activities will also be inclusive of disabled persons that are able to carry out physical activity.

For those seeking to diversify their incomes beyond farming, two tele-centers will be created to support job seekers to learn, train for and connect to employment opportunities. These centres will give remote populations access to new technologies, which otherwise remain difficult to access, especially for women and girls, who tend to travel less far from home. At least 3 000 people, mainly young people and women, will directly benefit from access to these telecentres.

Part 2. Methodological issues relating to measuring, reporting, and verifying climate finance flows

As mentioned above, climate finance is calculated on an ex ante basis at the project design stage, based on the budgets of different components, subcomponents and activities. This section of the submission summarizes IFAD's application of the *MDB Methodologies.*[8]

Although the *MDB Methodologies* were designed with all economic sectors in mind, IFAD's climate investments concentrate primarily on the following MDB sectoral categories:

[8] For further detail on IFAD's application of the MDB methodologies, see chapter 5 of IFAD's 2019 Climate Action Report at www.ifad.org/en/web/latest/story/asset/41461856. For more information on the MDBs and climate finance, consult the 2021 *Joint Report on Multilateral Development Banks' Climate Finance* at: https://thedocs.worldbank.org/en/doc/9234bfc633439d0172f6a6eb8df1b881-0020012021/original/2020-Joint-MDB-report-on-climate-finance-Report-final-web.pdf

- Adaptation sector: crop and food production;
- Adaptation sector: other agricultural and ecological resources;
- Mitigation sector: agriculture, aquaculture, forestry and land use.

MDB methodology for tracking adaptation finance

Adaptation interventions and their outcomes are context- and location-specific by nature; in other words, there is no universal adaptation solution. Similarly, there is no universal unit of measure; instead, proxy indicators are required to track results. These proxies have to account for a complex mix of socioeconomic, agronomic and environmental factors, which can blur the lines between adaptation finance and investments in sustainable development more generally. Therefore, adaptation finance is tracked only if the following three steps are fully integrated into a project's logic:

1. The vulnerability context of the project is clearly set out;
2. An explicit statement of intent to address climate vulnerability as part of the project is made;
3. A clear and direct link between the climate vulnerability context and the specific project activities is established.

In addition, the adaptation methodology foresees the application of the principles of granularity and conservativeness:

- **Granularity:** Reported climate finance covers only those components or proportions of investments that directly contribute to or promote adaptation (i.e. requires activity-level assessment).
- **Conservativeness:** When an estimate of the incremental cost for adaptation is not available, a conservative percentage of the total financing for a component or activity is assigned.

MDB methodology for tracking mitigation finance

Unlike adaptation, mitigation results are global, and GHG emissions avoided or reduced can be expressed in a common unit of measure, usually tonnes of carbon dioxide equivalent (tCO2e). Mitigation finance can therefore be identified on the basis of a positive list of eligible mitigation activities by investment sector. This list is established by the MDBs, and reviewed periodically, with a view to becoming more stringent over time.

Beyond mapping its mitigation investments to this eligible list of mitigation activities, IFAD has further stipulated that, to count mitigation finance, its projects must quantify the GHG emissions reduction potential of their eligible activities. An internationally recognized GHG accounting methodology (such as FAO EX-ACT or GLEAM-i) should be used to demonstrate that the project has the potential to be a net sink of emissions. In the agricultural sectors, many mitigation solutions are management-based, relying on the uptake and maintenance of the mitigation practices introduced over time. For this reason, IFAD attributes mitigation finance only where a project explicitly sets out to meet mitigation objectives, and has quantified potential GHG benefits. IFAD is increasingly promoting mitigation co-benefits in its climate resilient livelihoods work, and as the number of IFAD projects undertaking GHG assessments grows, IFAD's mitigation finance share is expected to grow also.

Part 3. Assessment of the effectiveness of climate finance flows through results monitoring and impact assessment

Though a standalone goal under the Paris Agreement, climate finance is actually a means to an end: to support the delivery of the interlinked Paris goals on adaptation and mitigation. Global efforts to track climate finance ensure therefore ensure accountability and transparency in this regard – however, further efforts are required to assess the effectiveness of these investments in terms of actual results and impact.

Core climate and environment indicators

IFAD, like other funds, monitors climate and environment results during implementation through dedicated environment and climate indicators and impacts assessments. IFAD has eight core environment and climate change indicators (**Table 1**), monitored at the project level and aggregated to the portfolio level.

Table 1. IFAD core environment and climate indicators

Output indicators	Outcome indicators
Output Indicator 1.1.1: Number of people gaining increased secure access to land	**Outcome Indicator 3.2.1:** Number of tons of greenhouse gas emissions (CO2) avoided and/or sequestered
Output Indicator 3.1.1: Number of groups supported to sustainably manage natural resources and climate-related risks	**Outcome Indicator 3.2.2:** Percentage of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices
Output Indicator 3.1.2: Number of persons provided with climate information services	**Outcome Indicator 3.2.3:** Percentage of persons/households reporting a significant reduction in the time spent for collecting water or fuel
Output Indicator 3.1.3: Number of persons accessing technologies that sequester carbon or reduce greenhouse gas emissions	
Output Indicator 3.1.4: Number of hectares of land brought under climate-resilient management	

Indicators 3.1.3 (technologies) and 3.2.1 (GHGs) are explicitly mitigation indicators (marked green). All others are principally adaptation-oriented. To help track the results achieved by IFAD's climate finance during project implementation, IFAD11 introduced indicator uptake and target-setting requirements commensurate to the share of IFAD climate finance validated in a project at design. Depending on the share of adaptation finance in a project and the specific adaptation activities financed, an appropriate selection of adaptation indicators must be embedded within the project's logframe. If a project includes mitigation finance, indicator 3.2.1 (GHGs) is mandatory. If relevant activities are financed by the project, mitigation indicator 3.1.3 (technologies) should be tracked, too. Targets for all indicators must be set at design, and are tracking through the project's lifetime.

As per IFAD's Core Indicators Framework, results for output level indicators are reported annually at supervision. Results for outcome level indicators are captured through core

outcome indicator surveys, carried out three times over the course of project implementation: at project baseline, mid-term and completion. A specific, IFAD-tailored methodology has been developed for these surveys. The results for both output and outcome level core indicators are reported in IFAD's Operational Results Monitoring System (ORMS). All person-based core indicator data is mandatorily disaggregated by sex and youth.

As the cohort of projects approved in IFAD11 matures and reports results against their climate indicator targets, IFAD looks forward to further analysing the relationship between climate finance invested and results delivered.

Impact Assessment

Complementing IFAD's results monitoring at output and outcome level through project logframes, IFAD is also unique among IFIs in that it undertakes impact assessments on at least a 15 per cent sample of its portfolio of projects that complete in a given replenishment period. IFAD's third strategic objective (SO3) aims to *Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.* In the context of SO3, IFAD monitors beneficiaries' **resilience to shocks** (including climate shocks) taking into consideration:

- Households that **faced** shocks
- Households' self-perceived ability to **recover** from shocks

Given the high dependence of agriculture on rainfall patterns and temperature, IFAD's Impact Assessment exercise has been expanded to include geo-referenced climatic variables in addition to the large number of socio-economic, agricultural production, land and agroecological data.

Results from an aggregation of the estimates from individual impact assessments in IFAD10 (i.e. projects completing in 2016-2018) are positive and significant, indicating that IFAD beneficiaries are 13 per cent more resilient to multiple shocks, including climate change than farmers in comparison groups. Extrapolating results to the full portfolio to estimate IFAD's impact under SO3, the IFAD10 impact assessment found that around 26 million IFAD beneficiaries increased their resilience, including to climate change. Results from the IFAD11 impact assessment exercise (projects completing in 2019-2021) will be published in September 2022.

Part 4. Future outlook

As mentioned, IFAD's climate focus has been further reinforced in its current replenishment period, IFAD12 (2022-2024), where IFAD has committed that at least 40 per cent of IFAD12 PoLG will be programmed as climate finance. Additionally, with a longer term horizon in view, IFAD has committed that, by 2030, at least 30 per cent of IFAD's investments will support nature-based solutions. To lay the ground for this work, IFAD analysed evidence from its first cohort of ASAP projects (a ca. USD 300 million portfolio of 42 projects approved between 2012-2018), presented in **Case Box 2**.

Finally, IFAD established the third and enhanced phase of its ASAP programme in 2020: ASAP+. Reporting on resource mobilization and programming under ASAP+ will be covered IFAD's submission to the SCF's sixth biannual assessment of climate finance flows, covering the reporting years 2021-2022.

Case Box 2: IFAD lessons learned on Nature-based Solutions

IFAD recognizes the potential of Nature-based solutions (NbS) to enhance climate change adaptation and mitigation, biodiversity and environmental health, and the resilience of ecosystem services and agriculture. In 2021, IFAD published an assessment of lessons learned on NbS in seven case studies from the ASAP1 programme (projects in Ethiopia, The Gambia, Lao People's Democratic Republic, Nicaragua, Niger, Sudan and Tajikistan).

The study surmised that active involvement of local communities and authorities is critical to the success of NbS and that NbS related to community-managed, climate-sensitive natural resources, such as those presented in drylands, could be scaled up and applied to wider environmental programmes, such as the Great Green Wall. Promotion of agrobiodiversity as a component of NbS can contribute to diversification of resources and provision of timber, firewood, food, bio-pesticides and fertilizers, and income to meet households' needs, as well as creating job opportunities for vulnerable women and young people. In some cases NbS may require a long time to develop, as they can include multiple and complex activities, such as mobilizing communities or strengthening farmers' knowledge, meanwhile labour-intensive NbS (e.g. digging trenches) often require significant external financial resources and specific approaches (e.g. cash-for-work schemes).

Globally, to ensure the stronger operationalization of NbS, more evidence is needed to allow these to be deployed at scale, and to ensure maximum benefits for society and nature. IFAD can contribute to better understanding of implementing NbS by:

a. Incorporating NbS into project designs to address adaptation, carbon sequestration and biodiversity restoration;
b. Leveraging existing experience of NbS to integrate NbS into rural development strategies;
c. Raising awareness and provide knowledge about NbS at the local level;
d. Building a roster of non-governmental organizations and civil society organizations to help ensure that sufficient expertise is available to design, implement and monitor NbS;
e. Implementing NbS in different contexts and expanding their geographical coverage, through farmer-to-farmer exchanges and multi-country exchanges;
f. Ensuring that NbS are systematically managed through strengthened local institutions, and that they are linked to local planning to adapt to climate change;
g. Producing NbS-specific metrics to measure the social and environmental impacts of NbS.

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