# Climate Change | STRATEGY

Enabling poor rural people to overcome poverty

IFAD

# Climate Change
## Strategy

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## Abbreviations and acronyms

| | |
|---|---|
| COSOP | country strategic opportunities programme |
| ENRM | environment and natural resource management |
| ESA | environment and social assessment |
| FAO | Food and Agriculture Organization of the United Nations |
| GDPRD | Global Donor Platform for Rural Development |
| GEF | Global Environment Facility |
| IFI | international financial institution |
| KSF | key success factor |
| LDCF | Least Developed Countries Fund |
| NRM | natural resource management |
| ECD | Environment and Climate Division (IFAD) |
| QE | quality enhancement |
| RB-COSOP | results-based COSOP |
| SCCF | Special Climate Change Fund |
| UNCCD | United Nations Convention to Combat Desertification |
| UNFCCC | United Nations Framework Convention on Climate Change |

# Executive summary

The speed and intensity of climate change are outpacing the ability of poor rural people and societies to cope. Many smallholders with whom IFAD works are already reporting impacts on the key ecosystems and biodiversity that sustain agricultural production, rural infrastructure, market opportunities and rural livelihoods. The world's response will have an impact on the ground through the degrees of temperature increase, whether smallholders will be able to benefit from credible financial mechanisms for mitigation, and whether additional public climate financing will reach poor rural people.

IFAD is enhancing its approach to rural development in the context of increasing environmental threats, including climate change. Our programmes will continue to reflect the complex reality of poor smallholder businesses, where issues are not contained neatly in boxes labelled according to global issues. And IFAD will continue to target its investments at the poorer and often most climate-change-affected people – whose livelihoods depend largely on agriculture and natural resources – particularly at women as producers and indigenous people as stewards of natural resources. But there is recognition that climate-related risks, and potential opportunities, can be addressed more systematically within our projects and policy advice. For example, we cannot rely on historical rainfall and temperature averages, since climate change is increasing the scale of volatility and risk. We need to be alert to new sources of risk, and there may be more opportunities in the future to reward emissions reductions.

Environmental threats such as climate change are inseparable from IFAD's mission of helping poor smallholders (including fishers, pastoralists and agroforesters). Climate change is multiplying their existing risks, creating new ones, and – depending on the global response – creating some new opportunities as well. The **goal** of this strategy is to maximize IFAD's impact on rural poverty in a changing climate. This goal is further articulated in three statements of **purpose**: to support innovative approaches to helping smallholder producers – both women and men – build their resilience to climate change; to help smallholder farmers take

advantage of available mitigation incentives and funding; and to inform a more coherent dialogue on climate change, rural development, agriculture and food security.

IFAD is already active on climate change, but it can do more. The main strategy output is a more 'climate-smart' IFAD, where climate change – alongside other risks, opportunities and themes – is systematically integrated into core programmes, policies and activities:

- On operations, climate change can be – and in many cases already is – factored into IFAD's operating model. This means incorporating it into our toolkit for the early stages of country programme and project design and for implementation.
- On knowledge, innovation and advocacy, IFAD will: explore new arrangements for sourcing climate-related expertise, share ground-level experiences to ensure their application throughout IFAD-supported programmes, and continue our work to shape the global dialogue on climate change for smallholders.
- On resource mobilization, our primary focus is to make IFAD's expanding overall portfolio climate-smart. Increased supplementary climate funds will continue to be sought to deepen the integration of climate change into IFAD's core programmes and to cover the increased cost this implies. We will seek to mobilize additional Global Environment Facility (GEF) resources for global environment and climate change activities.
- On internal organization, IFAD will make greater use of existing in-house skills and people, and will implement a new organizational structure that brings together and increases its staff capacity on climate and the environment. It will also continue to demonstrate the values of environmental awareness internally.

Key partnerships are addressed throughout the strategy, based on the principle that IFAD will have the most impact when we work with and through others.

# Background

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At the Consultation on the Eighth Replenishment of IFAD's Resources, in 2008, the Executive Board requested that a corporate strategy on climate change be presented for approval by April 2010. The Board requested a strong operational focus. This focus ensured that IFAD activities at the country level are consistently and systematically built on an awareness of the potential effects of climate change, and that, wherever appropriate, climate change adaptation is incorporated into project design in a manner consistent with national policies and that supports governments in realizing their climate change objectives.

This strategy is based on extensive in-house and targeted external consultation. It is the work of an internal IFAD policy reference group on climate change, in which all key IFAD divisions played an active role. It has benefited from consultations with international financial institutions (IFIs), foundations, civil society and donor agencies. Many elements of the strategy will benefit from further consultation and development in our work to develop the environment and natural resource management (ENRM) policy, which will address a range of environmental challenges and provide a more detailed focus on IFAD's natural resource management (NRM) activities.

Annex I provides a results and implementation framework for the strategy.

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# How a changing climate will affect poor rural women and men

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## Impact of a changing climate

Agriculture is where climate change, food security and poverty reduction intersect. For most of the one billion extremely poor and hungry people in developing countries, agriculture is the main income source. These people are already vulnerable, and climate change will in most cases increase this vulnerability. While trying to cope with the effects of a warmer climate, agriculture is simultaneously facing two other challenges: it must double food production in developing countries by 2050 to meet population increases and dietary changes, and must be central to efforts in greenhouse gas reduction.

Climate change is a 'threat multiplier' – it increases a range of livelihood threats and vulnerabilities, rather than being an isolated specific risk. Over the centuries, human societies have developed the capacity to adapt to environmental change and climate variability. These adaptations include practising shifting cultivation, adopting new crop varieties and modifying grazing patterns. But today the speed and intensity of climate change are outpacing the speed of those autonomous actions and threaten the ability of poor smallholders and rural societies to cope. In the countries most reliant on rainfed agriculture and natural resources, poor rural women, who are often the primary food producers, but have fewer assets and less decision-making power, are even more exposed than men.

Many communities with which IFAD works are already reporting changes:

- **The key ecosystems and biodiversity that sustain agricultural production.** Climate change contributes to: reduced water resources; changes in the primary productivity of crops, forage and rangeland; changes in the composition of plant varieties and quality of plant material; and reduced biodiversity, marine life and animal (and human) health. For some countries, the decline in yield from rainfed agriculture could be as much as 50 per cent.[1] Scarce and highly variable rainfall has already decreased the resilience of the high plateau rangeland ecosystems in eastern Morocco – the Alfa grass ecosystem is severely degraded and the carrying capacity of rangelands is no longer able to sustain growing demand.[2]
- **Rural infrastructure and market opportunities.** Fragile rural infrastructure, such as rural roads, drainage and irrigation systems, storage and processing, and livestock infrastructure will come under increasing pressure. In turn, market opportunities for smallholder farmers will be reduced. For example, IFAD's Viet Nam country strategy describes how flooding has led to extensive damage to irrigation systems and other agricultural infrastructure. Reduced availability of food in local markets as a consequence of climate change may also increase food prices. According to the Intergovernmental Panel on Climate Change, a global mean temperature increase of 3 to 5 degrees could lead to a pronounced increase in food prices of, on average, 30 per cent.[3]

1 Cline, W. R., *Global warming and agriculture. Impact estimates by country* (Washington D.C.: Centre for Global Development and the Peterson Institute for International Economics, 2007).

2 Source: Direct experience of IFAD-supported projects.

3 Easterling, W. E., P. K. Aggarwal, P. Batima, K. M. Brander, L. Erda, S. M. Howden, A. Kirilenko, J. Morton, J.-F. Soussana, J. Schmidhuber and F. N. Tubiello, "Food, fibre and forest products," in *Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, ed. M. L. Parry, O. F. Canziani, J. P. Palutikof, P. J. van der Linden and C. E. Hanson (Cambridge, United Kingdom: Cambridge University Press, 2007), 273-313.

- **Rural livelihoods.** Despite urbanization, the majority of the poorest people continue to live in rural areas and to depend on agriculture for their livelihoods. Environmental degradation, erosion of natural resources and biodiversity loss are challenging their ability to cope with and adapt to climate change, and to ensure food security. Climate change may result in more migration, food insecurity, conflict over scarce resources (for example between pastoralists and agriculturalists) and possible forced sales of livestock and other assets. As primary providers of food, fuel and water in most developing countries, women are on the front line of climate change impact. Indigenous peoples are particularly affected due to their high dependence on the natural resource base. Communities where IFAD works have noticed changes in the duration of heat and cold waves, and in the patterns and predictability of rainfall. In Mongolia, for example, where average temperatures have risen 1.8ºC over the last 60 years,[4] the melting of high mountain glaciers has increased and permafrost is degrading. The ground water table is decreasing in arid regions, and degradation and desertification of the land have been intensifying due to the shortage of water and precipitation.

## Impact of the world's response to climate change

National and international policymaking on poverty reduction, food security, climate change and the environment (including biodiversity and land degradation) has often treated each issue separately. This is changing, but it reflects a deep challenge at the country level, not just in poor countries, but in many richer countries as well. Climate change needs to transform from an issue owned by one single environment ministry to one owned by heads of state and shared by all key ministries, including agriculture ministries. Otherwise the national and global dialogues risk progressing along separate and incoherent tracks.

The global response will itself have an impact on smallholders. Climate negotiations will continue in 2010 with the aim of achieving progress at COP16 (the Conference of the Parties of the UNFCCC) in Mexico. The global response to climate change will have an impact on smallholders through three main channels:

**First, the extent of global emissions reductions, and the extra cost to poor rural people associated with inaction.** The longer it takes to reach an ambitious agreement on global emissions reductions, the higher the likely temperature rise and the greater the additional risks and costs to smallholders. According to the World Bank, developing countries will need US$75-100 billion extra per year for the cost of adaptation to climate change over the period 2010-2050.[5] In the agriculture, forestry and fisheries sectors, the cost would range from US$7.3 billion to US$7.6 billion per year.[6]

**Second, the extent to which smallholders will be able to benefit from credible financial mechanisms for mitigation.** Land use is a big part of emissions – agriculture represents 14 per cent[7] and is the main driver of other land-use and forestry

4 Cruz, R. V., H. Harasawa, M. Lal, S. Wu, Y. Anokhin, B. Punsalmaa, Y. Honda, M. Jafari, C. Li and N. Huu Ninh, "Asia," in *Climate Change 2007* (see note 3), 475.

5 World Bank, *Economics of Adaptation to Climate Change* (Washington, D.C., 2009).

6 The World Bank analysis estimates adaptation costs for major economic sectors under two alternative future scenarios: wet and dry, both based on 2°C warming during the 2010-2050 period.

7 Agricultural emissions include carbon dioxide mainly from land-use changes; methane from the livestock sector and rice production; and nitrous oxides from the use of fertilizers.

emissions, which represent an additional 18 per cent. Smallholders account for only a small part of agricultural emissions, but they provide a wide range of largely unrewarded environmental services that can contribute to carbon sequestration and limit other greenhouse gas emissions (see box 2 for examples). Rewards for mitigation services come from a number of sources, but they are currently limited and do not exist at the scale required. For agriculture and forestry, for example, carbon markets are still thin and evolving, with underdeveloped rules, uncertainty as to their depth, and concerns about the potential impacts of capture by larger-scale investors or of benefits not being passed on to smallholders. But they hold tremendous potential – reform of the rules governing the carbon market to allow smallholders greater access to carbon finance[8] is a possibility that IFAD will be watching closely.

**Third, whether public climate financing is made available to and will benefit poor rural women and men.** It is highly likely that climate change will become a more prominent driver of international financial support. The Copenhagen Accord includes a 'fast-track' provision of "approaching US$30 billion for the period 2010-2012" to be balanced between adaptation and mitigation, "a goal of mobilizing jointly US$100 billion a year by 2020 to address the needs of developing countries," a commitment to set up a forestry financing mechanism, a high-level panel to look at innovative sources of international finance,

8 These include allowing more land-use activities in the Clean Development Mechanism (CDM), dealing with the disincentives for temporary credits to land-use activities in the CDM, enabling more programmatic CDM approaches that reduce transaction costs for farmer cooperatives, allowing countries to opt for agriculture in nationally appropriate mitigation actions, and a concerted approach to agreeing on workable methodologies to make soil carbon actions monitorable, reportable and verifiable.

## BOX 1 Climate-related IFAD-supported projects: Some examples

Supporting rural people in adapting to harsh climatic conditions has been at the centre of many IFAD-supported projects. For example:

- In Mongolia, the Livestock Sector Adaptation Project, to be financed through the GEF-managed Special Climate Change Fund, aims to increase the resilience of the Mongolian livestock system to changing climatic conditions by strengthening natural resource management, 'climate-proofing' pasture water supply, and building the capacity of herders' groups to address climate change.
- In Kenya, the Mount Kenya East Pilot Project for Natural Resource Management seeks to halt the environmental degradation, flooding and drought resulting from deforestation and inappropriate agricultural practices in one of the regions most vulnerable to climate change.
- In Bangladesh, the Special Assistance Project for Cyclone-Affected Rural Households supported poor rural households hit by the 1991 cyclone in protecting their dwellings against floods, and established 10 cyclone shelter centres.
- The Western Sudan Resources Management Programme in The Sudan and the Pastoral Community Development Project in Ethiopia both established early warning systems that enable rural populations to adjust their livelihoods to the expected effects of drought.
- The Kidal Integrated Rural Development Programme in Mali seeks to establish an environmental monitoring system for risks such as drought, locusts and livestock diseases, and foresees measures to mitigate their impacts.
- In China, where farmers are exposed to regular crop failures induced by erratic weather patterns, IFAD has co-funded an initiative to develop and implement an index-based weather insurance system.

and a new Copenhagen Green Climate Fund. Much of the financial architecture to channel this potential flow has yet to be determined. It is also not clear how much of climate finance will be additional to existing commitments of official development assistance. IFAD will continue to press for disbursement processes that recognize the particularly high level of synergy between adaptation and mitigation that exists in most sustainable agricultural projects; for climate finance mechanisms that reach smallholders; and for adaptation to be given a prominent place in the provision of public finance for climate change. IFAD will continue to help mobilize available funding for poor rural women and men farmers and managers of natural resources.

## Enhancing IFAD's approach to rural development

Our programmes will continue to reflect the complex reality of smallholder farming businesses, where issues are not contained neatly in boxes labelled 'climate', 'environment', 'food security' or 'migration'. Issues often discussed separately at the international level are interlinked and integrated for the smallholder farmer.

Thus IFAD's approach to programme development continues to be holistic – we will not look at climate change in isolation. Climate-related risks and opportunities will be assessed in a wider development context including other environment-related issues – such as population pressures or local pollution. This is done for conceptual

IFAD projects are already addressing mitigation indirectly through reforestation and improvement of land use and land management practices. Examples include:

- Implementation of 4,500 hectares of agroforestry systems in Rwanda, increasing yields and reducing erosion.
- Assisted tree regeneration in the Niger, covering about 100,000 hectares and contributing to restoring soil fertility and sequestering carbon.
- Two IFAD-supported projects in China are promoting renewable energy. The West Guangxi Poverty Alleviation Project is helping promote household biomass units, transforming human waste and animal dung into biogas for lighting and cooking in rural areas. By 2006, almost 30,000 households had benefited from biogas tanks, saving 7,500 hectares of forest each year. The Xinjiang Uygur Autonomous Region Modular Rural Development Programme is working to help poor rural people install solar systems to meet their power needs.
- Two grants to the World Agroforestry Centre (ICRAF) to develop and pilot mechanisms for rewarding environmental services in Asia and Africa, through, respectively, the Programme for Developing Mechanisms to Reward the Upland Poor of Asia for the Environment Services They Provide and the Programme for Pro-poor Rewards for Environmental Services in Africa (PRESA).
- The installation of small-scale biogas digesters and provision of 11,500 units of energy-saving stoves in Eritrea is another example of a small-scale mitigation intervention.

See Annex II, "IFAD/GEF portfolio: Building on a strong foundation" for a detailed description of GEF- and IFAD-supported programmes.

and practical reasons – climate change often multiplies such risks – and for operational purposes they should not be assessed in isolation.

Climate change does not mean throwing out everything IFAD has learned about rural development; we must instead build on this learning. Many of IFAD's programmes are implicitly or explicitly designed to increase the resilience of smallholders and poor communities to shocks – many of which are weather-related. A coherent response to climate change requires continued emphasis, for example, on country-led development, gender awareness, targeting of poor rural people, sustainable management of natural resources, dealing with land tenure issues, improving credit markets, strengthening the quality of local and national governance, and increasing productivity. It also remains essential to recognize the relevance of farmers' traditional and indigenous knowledge in addressing issues such as climate variability, and the differences between women's and men's knowledge and roles in responding to climate change.

The process of overall agricultural and rural development can in itself build the resilience of poor rural women and men to climate change. IFAD's existing and increasing portfolio of support to the building of agricultural productivity, value addition, markets and rural infrastructure remains important. Making better use of more-productive land also reduces pressure on farmers to practise extensive approaches that, with increasing population pressure, are so vulnerable to climate risk and are also a major cause of deforestation.

There is a growing recognition, however, by our clients and in development organizations that we are often overlooking risks – and potential opportunities – created by climate change. This was reflected in the ARRI 2009[9] report in the wider context of the ENRM. A 2006 study by the World Bank[10] found that a quarter of World Bank projects were assessed as exposed to a 'high' climate risk, but that only 2 per cent of projects identified climate risk in their project design documents. More systematic attention in IFAD-supported operations to climate-related risks and opportunities requires additional reflection and analysis as we engage with poor communities:

- We can no longer rely on historical averages – **climate change is increasing the scale of volatility and risk**. For example, historical drought or flooding frequency is less and less a guide to the future. And most crops are already grown at the limits of their temperature tolerance.
- The impact of a changing climate on **long-term trends** needs to be better understood. While impacts are already being felt, the worst impacts will be felt later. For many regions, science yields clear projections (e.g. drought in North Africa). Project appraisal has often discounted such future project risks. IFAD's programmes will now draw on the latest regional and country climate projections to be alert to the resulting risks and opportunities.
- There will be **new sources of risk** beyond the traditional ones – such as sea-level rise and glacier-melt impact on water supply. Smallholder businesses will need to increase their general resilience to withstand currently unidentified shocks. New opportunities for emission rewards will bring their own

9 IFAD, Annual Report on Results and Impact of IFAD Operations (ARRI) evaluated in 2008 (Rome, 2009).

10 World Bank, Clean Energy and Development: Towards an Investment Framework, prepared for the World Bank/ International Monetary Fund (IMF) Development Committee meeting, April 2006, 120.

risks – for example, if poor people were to be excluded from such benefits through social exclusion and limitations on land-use rights. 'Maladaptation' – project design that exacerbates vulnerability – is also a risk (for example, facilitating habitation in a flood plain).

- Depending on the outcome of international climate negotiations, there may be more **opportunities to reward emissions-reduction** activities. Payment systems are currently fairly complex and may remain so, but rural development practitioners need to be alert to any potential future or existing opportunities to reward smallholders for the mitigation benefits they produce, including through access to the carbon market[11].

Given that the response to climate change requires effort across all sectors, and will vary by country, this strategy does not make specific sectoral recommendations. Some country programmes may require only additional elements or a change of emphasis within some projects. Others may require a major rethinking of IFAD's sectoral engagement and emphasis – for example where sea-level rise is threatening coastal areas. However, some generalizations are possible:

- Overall, the response to climate change threats to agriculture is likely to result in **greater support to NRM** – such as land degradation programmes, water management and community-based forest management. Efficient irrigation systems, improved water management and harvesting, and sustainable use of ground water are effective adaptation measures that will help build smallholder resilience, particularly in drylands (box 2). This is because the first-round impacts of climate variability are being felt in changes in natural resource availability. This will be further elaborated in work to develop our environment and natural resource management policy.
- **Disaster risk management** is a major element of building resilience to climate change. Thus disaster prevention and recovery are likely to increase in prominence – for example, flood and drought risk management, and emergency response and rehabilitation to damaged rural infrastructure and agricultural capacity.
- Beyond sectors, there will be greater use of **new tools and approaches**. There is scope to improve the relevance and quality of climate-related information to smallholders. Financial services programmes, such as microinsurance, are being modified to incorporate climate risk, including affordable weather index-based insurance that can help smallholder households in developing countries improve their financial security and protect their livelihoods in the event of extreme weather events and natural disasters. Participatory and vulnerability mapping techniques[12] are being used to improve community-based adaptation efforts. New technologies are being piloted or scaled up to assist in building resilience (e.g. special irrigation piping that enables waste water and salt water to be used for irrigation purposes). Potential modifications to farming practices are described in box 2.
- Depending on the further development of carbon markets, there may also be greater investments in **helping poor smallholders – including women and indigenous peoples – access emissions-reduction incentives such as voluntary or formal carbon markets**.

11 As an example of possible collaboration in pro-poor mechanisms, IFAD will support a pioneering national programme in Ecuador (Sociobosque) to reward poor rural people for conserving forests and reducing emissions.

12 See, for example, the decision-support tool CRiSTALCommunity-based Risk Screening Tool – Adaptation & Livelihoods). Training was organized in IFAD in the context of the CLIMTRAIN project, and the tool was used to undertake an adaptation review in three ongoing IFAD projects in Brazil, Kenya and Mongolia.

Such investments will be assessed like any other market-creating activities. Investments in emissions-reduction activities are likely only when they either yield an income-diversifying payment for poor people or they are 'win-win' – that is, they would be done anyway since they benefit the community even without specific rewards for reduced emissions.

For example, sustainable management of forests, as an approach that encompasses social, economic and environmental goals, offers good opportunities to reduce deforestation and increase carbon sequestration.

## BOX 2 Technical examples of adaptation and mitigation in agriculture

| Issue | Activity |
|---|---|
| Crop management | Applying conservation agriculture – minimum disturbance of soil, in combination with maintenance of year-round soil cover plus crop rotation, preferably with inclusion of leguminous crops to boost soil nitrogen.<br>Adopting new crops, crop rotation and/or crop varieties, adjusting the time of planting/harvesting; introducing integrated soil-fertility management systems that cater to the nutritional needs of the crop without polluting the environment; and integrated water-management practices. |
| Rangelands and pasture management | Managing grazing systems and grazing intensity, fire management and pasture rehabilitation. |
| Livestock management | Modifying herd composition: varied species/breeds; adapting grazing management practices to increase soil carbon.<br>Reducing greenhouse gas emissions from livestock by improving animal nutrition, breed selection and manure management. |
| Restoration of degraded lands with high production potential | Applying erosion control, soil and water conservation, organic amendments, perennial or deep root crop systems.<br>Improving land and soil, including drainage, desalinization, addition of gypsum to renovate sodic soils. |
| Coastal management and fisheries | Promoting non-destructive fishing techniques to maintain resilience of marine ecosystems; aquaculture in areas inundated by rising sea levels.<br>Achieving carbon sequestration in mangrove plantations and culturing of seaweed and algae for food and biofuel. |
| Bioenergy | Using crop residues, cellulosic crops (e.g. switchgrass), non-food biofuel crops (e.g. Jatropha, Pongamia), dual-purpose biofuel crops (e.g. sugar cane, sweet sorghum, cassava) and biogas. |
| Disaster preparedness | Improving risk management and preparedness – e.g. better agrometeorological warning systems, drought contingency plans, response to flooding, awareness-raising, weather-indexed risk insurance. |

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# 3

# Maximizing IFAD's impact on rural poverty in a changing climate

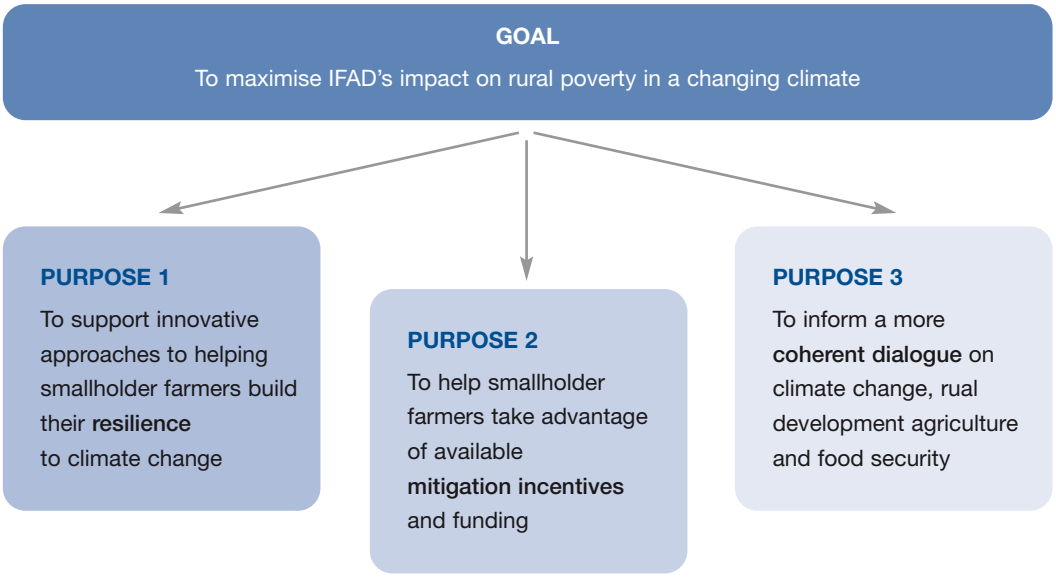
**Strategy goal, purpose and output**

Climate change is a cross-cutting thematic issue that is changing the physical, political and financial context of IFAD operations. The Fund's existing mandate and comparative advantage in working with smallholders oblige us to respond to climate change in parallel with, and in addition to, a range of other development challenges. IFAD is doing a lot already, but it can do more. Thus the **goal** of the IFAD Climate Change Strategy is to maximize IFAD's impact on rural poverty in a changing climate.

Figure 1 sets out the goal and three statements of **purpose**. The main **output** for this strategy is a 'climate-smart' IFAD. As described above, climate change is a theme that runs through all IFAD does, thus it cannot be addressed through a disconnected set of activities. Climate change cannot be an add-on, and is not seen as a separate sector or optional extra. The approach of this strategy is to help ensure that climate change – alongside other risks and themes – is systematically integrated into IFAD's core programmes, policies and activities.

IFAD cannot, and should not, work alone on the climate change aspects of rural development. The depth and breadth of climate threats means that all major international organizations are considering how they can help. This implies a wide range of partnerships for IFAD: national governments, the United Nations family

**FIGURE 1 Strategy goal and purpose**



(including the UNFCCC), the Global Environment Facility (GEF), the donor community, other IFIs, international civil society and the private sector (in particular, farmers and rural producers' organizations). IFAD's choice of partnerships will be based on what makes the biggest difference for our clients – they are described in sections A through D.

A climate-smart IFAD means that climate change is appropriately reflected in our approaches to: operations; knowledge, innovation and advocacy; resource mobilization; and organization.

## Operations

IFAD will build the capacity of our country programmes to more systematically respond to increasing demands from our clients for help and innovation on climate change. This means enabling climate change as part of our toolkit for the early stages of country programme and project design, rather than as an overly compliance-driven approach in the final approval stages for country strategic opportunities programmes (COSOPs) and programmes/projects. In terms of overall direction, IFAD's next strategic framework will see climate, environment and sustainable natural resource management fully integrated into analysis and objectives.

**FIGURE 2** **IFAD climate partnerships**

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**COUNTRY LEVEL**

- National stakeholders, including central governments, local institutions, community-based organizations
- Harmonization with donor community (bilateral and multilateral)

**KNOWLEDGE, INNOVATION AND ADVOCACY**

- UN family
- Farmers' organizations, indigenous peoples groups, international civil society
- Research centres and think tanks
- Donor community (i.e. GDPRD)
- IFIs

**RESOURCE MOBILIZATION**

- Global Environment Facility, including GEF Trust Fund and GEF-managed UNFCCC funds
- Adaptation Fund
- Private sector and foundations
- Donors and IFIs

We will use key partnerships on the ground, such as community-based, farmers' and women's organizations, NGOs, and national and local public institutions, including agriculture ministries. Our aim will be to empower local communities and their institutions to participate in climate-change-related decision-making processes, and to build their capacity to respond using their own and others' experience. Based on its growing in-country presence, IFAD will also engage where appropriate in country-level climate and environment coordination efforts, working closely with bilateral and multilateral donors, and taking advantage where appropriate of the capacity of partner organizations.

**Country strategies**

COSOPs are increasingly reflecting new thinking about how climate change is altering the development context for IFAD's partners. But we can go further in ensuring that expertise is available to do this systematically.

Potential questions to be addressed in COSOP design are: (i) what are the latest available estimates of climate impacts on poor rural people – particularly on IFAD's partner communities – using disaggregated impacts (e.g. sex-disaggregated impact data if available); (ii) how could national poverty and climate change plans guide the choice of investments; (iii) are there any overall estimates on climate-related risk to the existing and planned portfolio; (iv) are there any areas for potential IFAD support that could generate rewards for the mitigation actions of smallholders; (v) what has been IFAD's past experience, comparative advantage and value-added on climate-related work in the country and what is its potential for scaling up; and (vi) what climate-related activities could be incorporated into IFAD-supported projects and policy advice.

How will IFAD achieve this?

- Enhanced stock-taking of current, relevant NRM work in country and regional programmes, which can provide lessons and be expanded and scaled up;
- Greater capacity for systematic and enhanced participation of relevant climate and environment expertise in country programme management teams and missions;
- Deeper integration of climate analysis into environment and social assessment (ESA) tools – i.e. expand the scope of analysis to more fully include climate change questions. This process will feed into any potential enhancements of ESA procedures in our ENRM policy;
- Factoring emerging knowledge on climate change into COSOP mid-term reviews; and
- Inclusion of climate-change threats and opportunities in subsequent revisions to the guidelines for results-based COSOP (RB-COSOP) formulation.

**Project design and implementation**

Similarly, climate change is featuring increasingly in the purpose and risk analyses of new projects. Again, there is an opportunity to provide more support so that this is done systematically and makes the best use of available knowledge and expertise.

Our priority will be to ensure that project identification, design (including quality assurance), and implementation are based on an understanding of climate change in a local context, how it affects different categories of poor rural people, and women as compared with men. Rather than special treatment for climate change, this requires including it alongside other relevant project risks and opportunities, particularly those

related to environmental threats. This may require engaging with communities to assess specific climate-related risks to communities and to project success (and their financial implications); and then working with them to identify and analyse alternative project designs or approaches to reduce or eliminate these risks. A wide variety of new tools and approaches are available to help in this assessment. IFAD grants can support innovations and capacity-building activities in this regard.

How will IFAD achieve this?

- Increase staff knowledge of and sensitivity to the role of climate change issues in IFAD's mission, and their knowledge of experiences in, and practical tools for, building climate change into country and regional programmes and projects;
- Again, systematic and enhanced participation of climate and environment expertise in country-level dialogue through country programme management teams and missions;
- New tools – a climate risk tool for screening COSOPs and projects is under development, as well as enhanced attention to climate change in ESA;
- Sharing knowledge internally on how climate change risks and opportunities can be integrated into project design – for example there may be more opportunities to factor climate change issues (climate risks, impacts of response measures, technical and economic mitigation potential of agricultural activities) into social, technical, economic and financial analysis;
- Implement the quality enhancement (QE) process: projects are assessed in the context of a number of key success factors (KSFs), which include a question on the vulnerability to climatic shocks of poor rural people whose livelihoods depend on agriculture and NRM;
- Appropriate integration of climate-related issues in project monitoring and evaluation and knowledge management systems, mid-term reviews, and supervision and project status reports. These procedures will be facilitated by inclusion of such elements where appropriate in the original project design.

## Knowledge, innovation and advocacy

Sharing of knowledge and innovation is part of IFAD's core business. In line with the IFAD Strategy for Knowledge Management, lessons and innovations from the field will be shared across the organization and externally. Individual country experiences must be mainstreamed and scaled up to ensure their application throughout IFAD's programmes and to draw on learning from IFAD's research grant portfolio. There is still a need to profit from the knowledge and experiences of others, including indigenous knowledge systems and international research centres – which will require innovations in IFAD's knowledge management and partnership approaches.

IFAD will continue to raise the profile of smallholder agriculture in international policy discussions on climate change, and vice versa, to increase the attention of agriculture discussions to climate change. This communication and engagement effort is tightly focused, given the staff capacity needed to manage IFAD's operational task on the ground. Working with the Global Donor Platform for Rural Development (GDPRD), the Food and Agriculture Organization of the United Nations (FAO), farmers' organizations and others, IFAD

made progress in 2009 in encouraging greater recognition of agriculture in climate negotiations – draft negotiation texts now feature greater attention to agriculture and to the possibility of a future technical work programme. Various IFAD co-hosted side-events at UNFCCC negotiation meetings and communication efforts in 2009 engaged climate negotiators and the public in a consideration of what concrete measures in negotiations are most important to smallholders.

Key deliverables will include:

- New arrangements for outsourcing expertise: exploration of new resource centre arrangement(s) with reputable organizations or consortia to provide expert advice, where needed, in the development of programmes and staff training (for example, partnership with the World Bank's BioCarbon Fund – paragraph 36);
- Support to regional divisions and technical focal points of IFAD by the new Environment and Climate Division for establishing an internal climate and environment network to share knowledge and coordinate IFAD's efforts;
- Systematic knowledge-sharing and learning on climate change within the country programmes, particularly with regard to experiences from the field, and adequate training for staff;
- Preparation of thematic guidebooks, learning notes, case studies, climate-change-related country profiles and regional climate change outlooks, as a way to inform country programmes;
- Continued use of country and global research grants to support the generation and development of appropriate technologies that build on local knowledge systems and blend them with the best available formal science options;
- Continued lesson-learning from evaluations of IFAD's climate- and environment-related work.

Key knowledge, innovation and advocacy partnerships:

- Farmers' organizations, indigenous peoples and international civil society. Rural producers' organizations and civil society organizations are important partners, particularly for advocacy in the climate change arena. Building on ongoing relationships with organizations such as the World Wide Fund for Nature (WWF), International Institute for Environment and Development (IIED), United Nations Permanent Forum on Indigenous Issues (UNPFII) and producers' organizations involved in the Farmers' Forum, IFAD will increase its collaboration with relevant groups to raise the voice and emphasize the concerns of smallholder farmers.
- United Nations family and Rome-based agencies. IFAD will continue to engage in concerted efforts with other United Nations agencies:
  (i) Through collaboration by the three Rome-based agencies, which will continue to be a priority, as identified at the Rome heads of agencies meeting in September 2009.[13] IFAD already works closely with FAO on the technical aspects of mitigation (e.g. testing FAO's Ex-ante Appraisal Carbon-balance Tool [EX-ACT]) and general advocacy work, and with the World Food Programme (WFP) on a

13 IFAD, "Directions for collaboration among the Rome-based agencies", note document prepared for review by the ninety-seventh session of the Executive Board, 14-15 September 2009.

weather risk insurance programme in China. In addition, the Rome-based agencies have started a collaborative partnership on disaster risk management. It aims to integrate such management into rural development and agriculture sector planning, including a range of rural financial services and products for risk prevention measures. IFAD will continue to deepen these collaborative efforts, making more use of FAO's analytical capacity and – given the impact of climate change on disasters and vulnerability – with WFP on disaster preparedness, relief and early recovery work. IFAD will also continue to work with the Global Mechanism of the United Nations Convention to Combat Desertification (UNCCD) in strengthening the ability of countries to respond to the threat of desertification;

(ii) Through the climate change working group of the Chief Executives Board High-level Committee on Programmes, in support of the UNFCCC process, as well as in the delivery of common products;[14]

(iii) Through our work with the UNFCCC secretariat, particularly on technical matters related to adaptation and mitigation in agriculture and on initiatives such as the Nairobi Work Programme on impacts, vulnerability and adaptation to climate change.[15] IFAD's main objective will be to increase attention to the needs and concerns of smallholder farmers in the post-Kyoto global climate agreement, and to continue supporting implementation of the Convention by delivering programmes identified in national adaptation programmes of action.

- The Consultative Group on International Agricultural Research (CGIAR) is one of IFAD's main research partners. The recently launched 10-year Challenge Programme on Climate Change, Agriculture and Food Security offers new opportunities to engage with the CGIAR on climate change research. IFAD will also link its works to other emerging initiatives relevant to its target group, such as the Global Research Alliance on agricultural greenhouse gases.
- International financial institutions: IFAD, as both an IFI and a United Nations specialized agency, will increase its engagement and knowledge-sharing with other IFIs. It is already an active member of the Multilateral Financial Institutions Working Group on Environment that has made significant progress towards harmonizing the approach MFIs take to environmental issues, particularly in relation to environmental impact assessment. IFAD will also engage with and learn from the experience of the Climate Investment Funds, in particular the Pilot Programme for Climate Resilience and the Forest Investment Program.
- Donor community: membership in the GDPRD offers a space for coordinated action on climate change within the donor community. Building on its current and ongoing engagement with the platform, IFAD will continue to take part in the development of a coherent approach among donors to agricultural mitigation and adaptation.

14 In 2009 the United Nations system engaged in a number of joint initiatives and tools, such as the joint paper on adaptation presented at COP15 and the UNCCD: Learn platform, to which IFAD contributed through its internal climate change training (i.e. the CLIMTRAIN project).

15 IFAD joined the UNFCCC Nairobi Work Programme on impacts, vulnerability and adaptation to climate change in October 2007. The aim of this programme is to help countries improve their understanding and assessment of the impacts of climate change and to make informed decisions on practical adaptation actions and measures.

## Resource mobilization

Climate change is increasing the cost of development, and the international response has added a layer of complexity to the provision of international public finance to developing countries. Climate change is already becoming a more prominent driver of the provision of international financial support, and significant spending commitments were made as part of the Copenhagen Accord (see paragraph 11). As climate negotiations evolve, IFAD will continue to explore how we can enhance our role, together with other agencies, in the deployment of greater financial assistance, calibrated according to our ability to deliver and aligned with our core programmes and mandate. It is already clear that climate change adaptation will be an important element of future climate change finance, which fits well with IFAD's core mandate.

Based on this strategy's principle of integrating climate change throughout IFAD, our primary focus is on making IFAD's expanding portfolio climate-smart. Supplementary funds will be used to help deepen integration of climate change into our core programmes. These funds will meet the additional costs of climate-smart project investments and technical assistance, and enable more innovative approaches to address climate threats and opportunities.

Key resource mobilization partnerships:

- Global Environment Facility: as the financial mechanism of the UNFCCC, the GEF represents a major strategic partner, going beyond resource mobilization and including knowledge management. Through the GEF partnership, IFAD has deepened its engagement and cooperation with the other GEF agencies.[16] Of relevance to IFAD, the GEF manages the GEF Trust Fund, the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). IFAD's GEF portfolio is approximately US$100 million, with cofinancing of approximately US$370 million from IFAD-supported projects. IFAD will continue to work with the GEF through the
  (i) GEF-5 Trust Fund: IFAD aims to significantly increase our use of GEF resources in the next GEF replenishment for the period 2010-2014. Success will in part depend on the size of the next replenishment, and on ongoing project cycle reforms and programmatic approaches. IFAD is active in four of the six GEF focal areas: land degradation, biodiversity, international waters and climate change. A stable or increasing GEF replenishment would present an opportunity for IFAD to continue increasing its still-small share of the GEF portfolio (2.9 per cent for GEF-4). The GEF's ongoing efforts to streamline the project cycle would facilitate integration of GEF financing into our overall portfolio. These resources would continue to be used to mobilize IFAD investments based on our GEF-4 mobilization ratio of 1:4.
  (ii) UNFCCC's GEF-managed LDCF and SCCF: depending on the replenishment of these two funds, over the next four years IFAD will aim to significantly increase its LDCF/SCCF pipeline with innovative projects that help rural communities address the additional costs of climate change to their development efforts.
- Adaptation Fund:[17] IFAD is submitting an application to serve as a multilateral implementing entity of the Adaptation Fund, which will finance concrete

16 African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), FAO, Inter-American Development Bank (IDB), the World Bank, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), and United Nations Industrial Development Organization (UNIDO).

17 The Adaptation Fund was established by the Parties to the Kyoto Protocol of the UNFCCC and is hosted by the GEF.

adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol. The details of access and Adaptation Fund priorities are being finalized. Resources available will depend on developments in the carbon market.

- Corporate private sector and foundations: the private sector will ultimately drive the investment response to climate change. IFAD will explore further possible collaboration with private foundations, building on its successful partnership with the Bill and Melinda Gates Foundation for weather insurance in China.
- Rewards for emissions reductions: IFAD will develop its partnership with the BioCarbon Fund, administered by the World Bank, in its third agriculture-related tranche (to be committed by 2012) to demonstrate projects that successfully sequester or conserve carbon in forests and agroecosystems. Where appropriate, IFAD will take advantage of the BioCarbon Fund team's carbon market expertise to assess potential income-generating emissions-reduction activities, and will seek its potential investment.
- Donors and IFIs: IFAD remains open to bilateral financing partnerships to expand our climate and environment integration and support[18] – including the financing of stepped up analytical support to IFAD's clients and development of climate-smart COSOPs and programmes. IFAD will encourage a harmonized approach to the provision of such cofinancing support (such as common reporting and memorandums of understanding). IFAD will also continue to explore engagement with the European Commission's Global Climate Change Alliance and the World Bank-administered Climate Investment Funds.

## Organization

IFAD has always been perceived as and prides itself on being a 'front-line' international agency that focuses its efforts at project and country programme levels with an emphasis on direct results. Accordingly, transforming the above three statements of purpose into tangible results for poor rural people will involve strengthening IFAD's ability to assess relevant climate risks, identify mitigation and adaptation opportunities, and implement and monitor effectively and efficiently.

Success at the country level will require effort across the organization – including the President, regional divisions and country offices, the Communications Division, and facilities management. In order to support regional divisions and Senior Management in realizing the Fund's implementation and advocacy goals, IFAD must reinforce its capacity. This will be achieved with a modest internal staff increase, together with training, new arrangements for accessing external expertise, and deeper partnerships on climate change.

Key elements of IFAD's organizational response are

- Making greater use of existing in-house skills and people through (i) identifying dedicated in-house capacity to deliver high-quality programmes and (ii) staff training. Building on the experience of the CLIMTRAIN project,[19] IFAD will design and make available to its staff an e-learning training programme on climate change and rural development;

18 As in the case of Ethiopia, where Spain is supporting additional activities for adaptation to climate change in a joint IFAD/GEF project.

19 www.ifad.org/climate/climtrain/.

- Creating a new organizational structure with increased dedicated expertise on climate and the environment: a new Environment and Climate Division (ECD) – housed in the Programme Management Department (PMD) – will share operational staff with the regional divisions in pursuing a common agenda of climate and environment integration throughout IFAD. It will also bring together staff working on climate and the environment to enable (i) continued development of the GEF pipeline; (ii) more support to the regional divisions on COSOPs and non-GEF programme development; (iii) innovation and knowledge management on the environment and climate change; and (iv) managing external partnerships and global initiatives on climate and the environment;
- New arrangements for outsourcing expertise;
- Demonstrating the values of environmental awareness internally. IFAD is committed to playing a proactive role in the United Nations carbon neutral initiative. It is actively doing its share to minimize the impact of its operations on the environment and to lower its own carbon imprint. The restructuring of the new IFAD headquarters was based on a green-building, sustainable design – and IFAD is currently seeking Leadership in Energy and Environmental Design certification, which will recognize the building's high performance with respect to water savings, energy efficiency, material selection and indoor air quality. A voluntary IFAD Go Green Group is actively involved in creating awareness in-house of environment-friendly behaviour. Two working groups are focusing respectively on policies in our field operations and on a carbon-neutral imprint for the Fund's facilities. IFAD is revising its travel policy: specific provisions will be made in relation to carbon emissions, and elements of emissions mitigation will be part of the new travel manual.

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# Measuring success

4

A results and implementation framework for the IFAD Climate Change Strategy is presented in annex I. In line with the overall approach of the strategy, the framework seeks to embed climate-related issues appropriately across IFAD's results-based measurement system. As a theme that runs throughout our work, the success of the strategy will be assessed through a number of proxy measurements largely related to portfolio performance and activity implementation. Given IFAD's country-driven approach, and the cross-cutting nature of climate change, specific sectoral indicators are not used as an indicator of success. IFAD's ENRM policy will elaborate on results measurement in the context of IFAD's NRM activities.

# Annex I

## IFAD Climate Change Strategy results and implementation framework

Goal: To maximize IFAD's impact on rural poverty in a changing climate.

Statements of purpose:

- To support innovative approaches to helping smallholder producers build their resilience to climate change.
- To help smallholder farmers take advantage of available mitigation incentives and funding.
- To inform a more coherent dialogue on climate change, rural development, agriculture and food security.

Output: a climate-smart IFAD

| Strategic themes | Strategy objectives | Outcome indicators | Implementation milestones | |
|---|---|---|---|---|
| 1. Climate-smart **operations** | COSOPs and programmes systematically reflect climate and environment risks and opportunities | • From end-2010 all new COSOPs submitted to the Executive Board and new programme documents systematically and appropriately reflect climate and environment risks and opportunities<br>• Project completion reports: increased percentage of projects rated 4 or more for environment over baseline of 77 per cent (2008-2009 two-year average) for 2013-2014 cohort<br>• Results and impact management system: by 2014, average rating increased to 4.25 in 2nd-level indicators (effectiveness/ sustainability) for natural resource interventions over baseline of 3.75 for 2009<br>• Increased satisfactory ratings under the natural resources and environment domain for projects evaluated in the ARRI report<br>• QE panel report overall assessment highlights climate change concerns, QE panel summary assessment sheets record KSF rating for climate-change-related questions | IFAD's next strategic framework will see climate, environment and sustainable natural resource management fully integrated into its analysis and objectives | December 2010 |
| | | | RB-COSOP formulation and quality enhancement guidelines updated to include climate change issues | By December 2010 |
| | | | Enhanced ESA climate change inputs piloted (including risk-screening tool of the IFAD Initiative for Mainstreaming Innovation) | By end-2010 |
| | | | Climate-change expertise participation enhanced in country programme management teams and missions | Ongoing |
| | | | Climate-change sensitivity of design regularly tracked at QE | Ongoing |

| Strategic themes | Strategy objectives | Outcome indicators | Implementation milestones | |
|---|---|---|---|---|
| 2. Climate-smart **knowledge, innovation and advocacy** | Enhanced internal and external climate-related knowledge management, in parallel with continued global and national advocacy | • Agricultural issues, and needs and concerns of poor rural people, appropriately reflected in final post-Kyoto agreement<br>• Reform of the Clean Development Mechanism (CDM) to allow greater inclusion of agriculture<br>• Frequency of IFAD climate-related events<br>• Implementation of actions on climate change of "Directions for collaboration among the Rome-based agencies"<br>• Frequency of climate-related IFAD media interviews and publications | Continued IFAD engagement in support of global climate and agriculture dialogue | Ongoing |
| | | | New knowledge service arrangement(s) with reputable organizations or consortia to provide expert advice and staff training | By mid-2011 |
| | | | Enhanced collaboration with United Nations family and Rome-based agencies on climate change | Ongoing |
| | | | IFAD internal climate and environment network established to ensure that knowledge is shared | June 2010 |
| | | | Knowledge/training products and events rolled out – including CLIMTRAIN web-based training package | Ongoing |
| | | | Inclusion of climate change in grant programmes | Ongoing |
| | | | Engagement to support coherent donor approach to climate change through GDPRD | Ongoing |
| | | | Continued engagement to support global climate and agriculture dialogue | Ongoing |
| 3. Climate-smart **resource mobilization** | Additional supplementary funding secured to assist in systematic integration of climate risks and opportunities into overall portfolio | • At least 25 per cent increase in GEF-5 Trust Fund cofinancing of IFAD operations over the next GEF replenishment period 2010-2014<br>• At least 40 per cent increase in combined LDCF and SCCF cofinancing of IFAD operations over the next GEF replenishment period 2010-2014<br>• Pending the outcome of CDM reform, at least two further IFAD projects cofinanced with BioCarbon Fund by end-2011 | Increased GEF-5 grant financing secured to support IFAD operations related to climate change and the environment | From June 2010 to June 2014 |
| | | | Increased UNFCCC LDCF/SCCF grant financing secured to support IFAD operations in next LDCR/SCCF replenishments | From June 2010 to June 2014 |
| | | | IFAD access to the Adaptation Fund established, with five-year engagement plan prepared and implemented | From mid-2010 |
| | | | BioCarbon Fund – rewards for emissions-reduction projects piloted | 2011 |
| 4. Climate-smart **internal organization** | Appropriate resource levels and internal procedures | • Five additional climate and environment experts recruited to IFAD by June 2011<br>• Shared (ECD and regional divisions) regional environment and climate specialists in at least three regional divisions by June 2011 | ECD created, capacity increased and staff shared with regions | By March 2010 |
| | | | IFAD certified as leader in Energy and Environmental Design | By June 2010 |
| | | | IFAD travel manual updated to include specific provisions to reduce carbon emissions imprint | 2011 |

# Annex II

## IFAD/GEF portfolio: Building on a strong foundation

**A strategic partnership**

IFAD and the GEF work together to support countries in addressing the intertwined issues of poverty alleviation, environmental degradation and climate change, with a focus on rural development needs.

As the only United Nations agency dedicated exclusively to fighting rural poverty, IFAD brings to this partnership its extensive experience in sustainable rural development and integrated environmental management, as well as its strengths in identifying synergies and addressing cross-cutting environmental issues.

This alliance with the GEF enables IFAD to enhance its contribution to sustainable NRM, and to fight climate change and its consequences, while improving the living conditions of poor rural people.

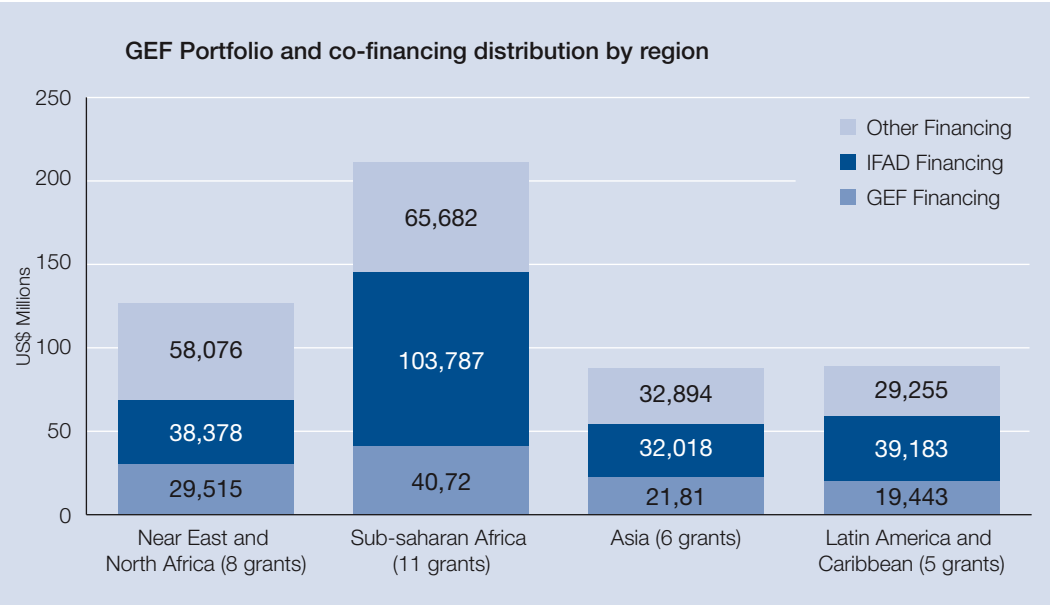
The IFAD/GEF partnership capitalizes on the linkages between GEF strategic objectives and IFAD programmes and projects, making them mutually reinforcing. As a GEF agency, IFAD can access funds under the GEF Trust Fund. It is also able to access climate change funds under the UNFCCC's Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), managed by the GEF secretariat.

**IFAD and the GEF: Meeting environmental and rural development challenges in a rapidly changing world**

IFAD became a GEF agency in 2001 and created a dedicated unit in 2004, housed in its Programme Management Department. During these five years of collaboration, IFAD has

**FIGURE 1 IFAD portfolio by region**

(Total financing in millions of United States dollars)



secured a total grant portfolio of 30 projects under its direct responsibility, totalling US$111.4 million from the GEF, directly linked to US$399 million in investments (US$213.3 million from IFAD investments and US$185.9 million of cofinancing from other partners – figure 1). This cost-effective participation and its successful mobilization rate are complemented by the quality control mechanisms and rigorous fiduciary procedures and standards applied by IFAD.

Since its establishment, IFAD has worked intensively in marginal lands, degraded ecosystems and post-conflict situations, with an emphasis on the people living in these conditions. Consistent with this approach, nearly 40 per cent of IFAD/GEF grants are invested in sub-Saharan Africa, complementing other IFAD operations for agriculture and rural development in the region. The remaining 60 per cent are dedicated to the poorest areas of Latin America and the Caribbean, Asia and the Pacific and the Near East and North Africa (figure 1).

Most IFAD/GEF programmes are implemented in collaboration with other GEF agencies, either as part of programmatic approaches or country programmes (led by the United Nations Development Programme [UNDP] or the World Bank), or in association with other agencies (African Development Bank [AfDB], the United Nations Environment Programme [UNEP] and the United Nations Industrial Development Organization [UNIDO]).

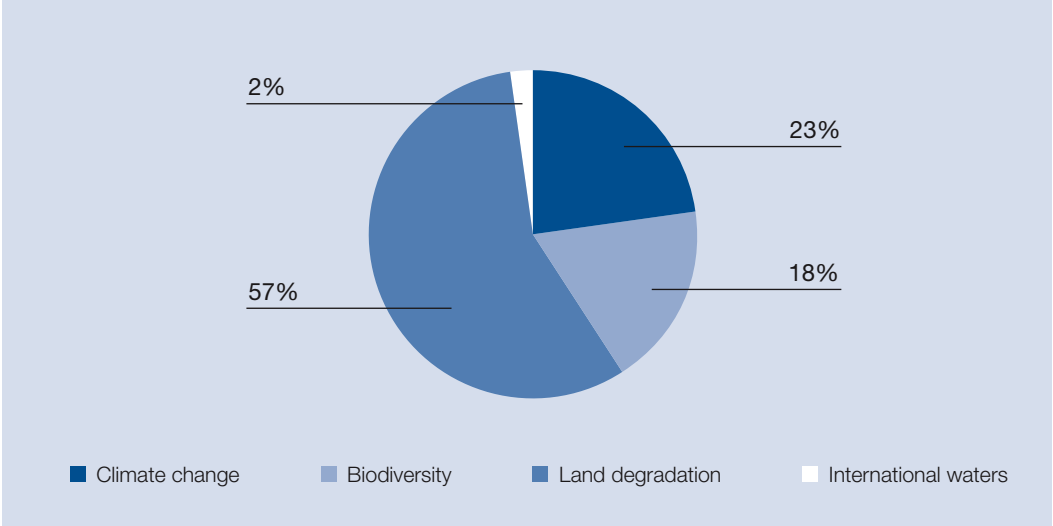
IFAD's comparative advantage for the GEF lies in its work in integrated management of land and water and the sustainable use of biodiversity and forests – while simultaneously seeking to lessen the impact of climate change on vulnerable rural communities and promote their capacity to cope with changing climatic conditions. Approximately three fourths of the IFAD/GEF portfolio supports sustainable natural resource and forest management practices, while the remaining fourth is dedicated to climate change activities (figure 2).

### Combating land degradation

IFAD was created in response to the droughts and food crisis that affected millions of people in Africa and Asia in the early 1970s. It offers a major and unique comparative advantage in supporting sustainable land management. With a strong track record in tackling land degradation and promoting sustainable rural development and integrated land management,

**FIGURE 2 Distribution of IFAD/GEF grants by focal area**

(Millions of United States dollars)



IFAD plays a critical role in implementing the UNCCD and has full access to GEF funds targeting land degradation. IFAD's focus on reducing rural poverty and fostering household food security, its people-oriented participatory approaches, and its extensive experience in drylands ensure that its programmes will deliver maximum results on the ground.

IFAD is the lead agency in the GEF programme of MENARID [Integrated Natural Resources Management in the Middle East and North Africa Region Programme] (with GEF total funding of nearly US$60 million), designed to promote such land management while increasing the economic and social well-being of targeted communities through the restoration and maintenance of ecosystems.

IFAD is also a major player in the GEF's Strategic Investment Program (SIP) for sub-Saharan Africa, which responds to the region's urgent need to address land degradation and sustainably improve natural-resource-based livelihoods. IFAD has mobilized US$100 million (20 per cent from GEF grants) to promote sustainable land management in six countries.

**Promoting sustainable forest management and biodiversity use**

One of IFAD's priorities is the efficient use of natural resources, enabling poor rural people to benefit from these assets, while conserving and managing them sustainably. IFAD has proven experience in promoting biodiversity conservation and water management through participatory management mechanisms, including protected areas and buffer zones. Roughly 40 per cent of IFAD/GEF projects include financing from the GEF biodiversity and international waters focal areas.

Forest conservation and sustainable use, with a strong pro-poor approach, play a primary role in IFAD strategy, due to their importance to and interlinkages with poor communities and indigenous peoples. The IFAD Strategic Framework 2007 2010 recognizes the importance of managing forests sustainably to reduce land degradation, while simultaneously improving food security and providing alternative income sources for communities and small-scale farmers. In this regard, IFAD is actively supporting the GEF's sustainable forest management strategy through five projects.

Fighting climate change

Under the GEF-4 replenishment, IFAD committed itself to prioritizing climate change as it relates to rural poverty reduction, with a particular focus on adaptation. Under the GEF Trust Fund, IFAD is supporting climate change adaptation as a cross-cutting issue within other focal areas, particularly sustainable land management, within programmes such as MENARID[20] and SIP. Also, under the Special Pilot on Adaptation, IFAD is implementing a community-based project to rehabilitate three key coastal ecosystems – mangroves, coastal lagoons and sand dunes – along the tsunami-devastated east coast of Sri Lanka. The project enhances their resilience to climate variability, while reducing the population's vulnerability to climate change.

In addition, IFAD is currently working with the governments of Mauritania, Senegal and Sierra Leone to support implementation, through the LDCF, of the priorities of their agriculture-related national adaptation programmes of action. With funding from the SCCF, IFAD is supporting Jordan, Mongolia and Pakistan in implementing adaptation activities, including technology transfer, in the livestock, water and crop production sectors.

In 2009, IFAD also began development of its climate change mitigation portfolio under the GEF Trust Fund. The three projects currently being prepared in Mexico, The Sudan and the Bolivarian Republic of Venezuela focus on promoting a climate-friendly rural development path by increasing the carbon sequestration potential of land use, land-use change and forestry activities in these countries.

20 Reducing Risks to the Sustainable Management of the North-Western Sahara Aquifer System (NWSAS).

**Enhancing collaboration under the fifth GEF replenishment**

The financial crisis and rising food insecurity are intertwined global challenges for poor rural people. Food price volatility in 2008 and the economic crisis in 2009 have resulted in increased hunger. According to FAO, there were more than one billion people undernourished in 2009, and food prices are on the rise again. Population growth – and migration caused by poverty, climate change and natural resource degradation – will further complicate the intertwined global crises. Poor rural people and smallholder farmers are the most vulnerable to the combined action of these global crises, as they lack adequate coping capacity.

Environmental degradation (mismanagement of forest, water and soil resources) is aggravating the world food crisis, as resources become scarcer and of poorer quality, affecting livelihoods, health and living conditions. Climate change – altering weather patterns, melting glaciers and inducing more extreme events (droughts, storms, etc.) – will further exacerbate these tensions.

Immediate action is needed to strengthen the resilience of agriculture to the challenges of climate change and natural resource degradation, while sustainably improving the productivity of agriculture in the face of growing demand for food.

The GEF partnership helps IFAD better integrate climate change and NRM into its core mandate, while continuing to work with poor rural people to improve their living conditions. Collaboration with the GEF secretariat and other GEF partners also allows IFAD to improve and increase its efforts to reduce rural poverty through an appropriate blending of operations. Similarly, integration of its efforts with the GEF enables IFAD to carry out more-innovative and higher-risk approaches to addressing climate threats and opportunities.

Given the importance of the GEF in addressing global environmental issues, and its important contribution to the achievement of IFAD objectives, the Fund fully supports a significant and strong replenishment of GEF resources, as well as those of the other two GEF-managed funds, the LDCF and SCCF.

IFAD also welcomes, and supports, the process of GEF reforms that will help make the GEF more efficient, transparent and country-driven. One of the proposed reform measures, the improvement of the GEF project cycle, will enable IFAD to deliver better results, while continuing to leverage major IFAD cofinancing towards GEF-supported programmes.

Under GEF-5, IFAD would like to continue its collaboration with the GEF partnership, increasing the engagement according to its comparative advantages, consolidating planned and ongoing programmes and activities, and proposing new initiatives that can incorporate new country partners and mobilize major cofinancing.

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