



## Bolivia

A recently constructed shed allows Elsa Chambi Ramirez to better protect her llamas and alpacas from cold high-altitude temperatures.

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# Leading the way towards a more sustainable planet

Climate change, damage to ecosystems and biodiversity loss are epochal global challenges. They are central to IFAD's work and to the livelihoods of the rural people we serve. Addressing these planetary challenges necessarily goes hand in hand with our focus on rural development, poverty reduction and food systems transformation.

## Assembling climate finance

We continue to go further in our work on climate resilience, understanding that rural people are – on the one hand – among those most affected by climate change and – on the other hand – underserved by climate finance.

For IFAD, strengthening climate resilience means getting more financing to where it is needed. But it also means using that finance to invest in climate-smart practices and agroecology.

The approaches we are prioritizing include, for example, reinforcing the soil's ability to retain water through appropriate soil carbon content, using water-efficient crops and varieties, and improving irrigation and water storage capacity. Also prominent in IFAD-supported projects are climate and weather forecast information systems, combining forestry and agriculture, the provision of resilient infrastructure such as flood-proof equipment, and much more.

In the context of the Thirteenth Replenishment of IFAD's Resources (IFAD13), we are offering a new form of contribution to our core resources, known as additional climate contributions (or ACCs), as a means of raising additional funds to support these activities. ACCs represent an additional core contribution option for IFAD13. They can be leveraged through borrowing, creating a multiplier effect and boosting financing for all recipient countries. ACCs aim to further integrate climate-related activities within IFAD's project design and implementation, maximizing efficiency and impact while minimizing transaction costs for borrowers, donors and IFAD.

As an international financial institution dedicated to investing in rural people and their businesses, IFAD has an important role in channelling climate finance to rural communities. In 2023, with our partners, we introduced the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM). This innovative financing model aims to support small-scale food producers and rural microenterprises in Kenya, Rwanda, Tanzania and Uganda so that they can adapt to climate change. ARCAFIM, unveiled at COP28, is designed to be scalable and replicable across regions. It focuses on providing concessional loans, as well as technical assistance, to small and medium-sized rural agribusinesses.

**A total of US\$180 million is available for these loans thanks to contributions from IFAD, Equity Bank Kenya, Finland, the Green Climate Fund and the Nordic Development Fund.**

ARCAFIM represents a pioneering effort in climate change adaptation financing, leveraging private sector participation through a risk-sharing approach.

Our Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) continues to play an important role in fostering innovation and catalysing climate finance for the countries that

need it most. Ongoing ASAP+ initiatives include pioneering market-based mechanisms to fairly compensate small-scale farmers for ecosystem services, establishing an Innovation Lab and launching a new modality to provide funding directly to Indigenous Peoples' organizations and farmer organizations for climate-focused projects.

In addition, IFAD's reaccreditation with the Green Climate Fund in 2023 was another important step to enable us to continue to deliver critically needed climate financing for rural communities.

## Providing rural people with tools to strengthen climate resilience

One of the many ways we support rural communities so that they can build their resilience to climate change is by providing various forms of insurance. IFAD implements the Insurance for Rural Resilience and Economic Development (INSURED) programme through the Platform for Agricultural Risk Management, providing climate-risk insurance to small-scale farmers.

The year 2023 marked the end of the first phase of INSURED, with approximately 630,000 rural people having been protected against climate risks through the purchase of 150,000 insurance policies since the programme's inception in 2018. INSURED provided technical assistance and design support to 28 IFAD-supported projects across 17 countries during this time.

In Kenya, thanks to INSURED, participants in an IFAD-supported project are benefiting from an area-yield index insurance scheme that covers farmers against the risk of drought, floods, pests and diseases. This kind of index insurance is less costly than traditional insurance because it avoids complex claims procedures, instead making automatic payouts based on weather data, sampling and sophisticated mapping. The insurance scheme is administered electronically, alongside other project benefits. Payouts are credited to e-wallets that farmers use to buy inputs so that they can plant again the following season. "I am glad that we are being compensated because drought affected our crops," said Fatuma Rashid, a farmer participating in the scheme. "We will be able to move forward."

**Across seven rainy seasons, about 56,000 producers, over 50 per cent of those enrolled in the scheme, have received payouts totalling US\$1.4 million.**

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## Addressing the drivers of climate change

As well as building up the resilience of rural people's livelihoods to the impacts of changing weather patterns, a growing number of new IFAD projects are addressing the causes of climate change by reducing greenhouse gas emissions. For example, in 2023 we launched the Methane Pledge Partnership: Pathways to Reducing Methane in Food Systems, supported by contributions from the Global Methane Hub and the United States Department of State.

**The initiative will span 10 IFAD-supported projects in 15 countries across all IFAD regions.**

It will support a range of activities – including technical assistance, development of a farmer-friendly guidebook and other knowledge products – as countries work towards achieving the goals of the Global Methane Pledge, itself an important milestone in getting on track to limit global warming to 1.5° C.

During the year, several new projects also featured a focus on reducing the greenhouse gas emissions of small-scale livestock systems. These projects – spanning three IFAD regions – promoted sustainable techniques such as improving feed and fodder management, breeding programmes and manure management. Tracking the effects of these on greenhouse gas emissions will be an important part of implementation. These will contribute to our efforts to make livestock more climate-friendly.

## Going further on biodiversity

Addressing the planetary emergency also means finding solutions to preserve and restore natural resources. This issue resonates especially strongly with IFAD considering how rural people depend on natural resources and the role they play as custodians of much of the world's richest biodiversity. We have begun engaging with the implementation of the landmark Global Biodiversity Framework, and the updating of countries' national biodiversity strategy and action plans. During the year, we collaborated with initiatives supporting countries to formulate their plans. We presented IFAD roles in training courses organized by the United Nations Environment Programme and the Convention on Biological Diversity and prepared a note

to showcase IFAD's approach to the "Supporting the Implementation of Global Biodiversity Framework".

We are now systematically incorporating these approaches to protecting biodiversity into our project designs. IFAD's biodiversity community of practice has tripled its membership and contributed to learning events with multiple partners. In 2023, we also began piloting the tracking of finance allocated to nature-based solutions and rolled out our first biodiversity core indicator; biodiversity impacts are now measured across much of IFAD's investment portfolio.

Biodiversity has also been well integrated into the strategy for IFAD's thirteenth replenishment cycle. For instance, the new ACCs will channel additional finance towards biodiversity, while ASAP+ will strengthen its nature-positive approach. IFAD has also committed to strengthening investments in ecosystem restoration, sustainable land and water management, and biodiversity conservation. We are also exploring innovations such as connecting smallholder farmers to payments for environmental services.