

COP27 - A High-level Analysis of Proceedings



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Background

As the dust settles after COP27, the world is looking at the negotiations for answers to the world's critical challenge. This paper discusses the proceedings most pertinent to IFAD's mission of investing in rural people and helping them build resilience to climate change.

Key outcomes from COP27

a) Adapting to a heating world

There is an urgent need for more money to help hundreds of millions of small-scale farmers adapt to the very real fallout of a changing climate, the consequences of which are unfortunately inevitable now.

A failure to act now means higher food insecurity in the future as climate disasters become even more commonplace.

A hotter, more fragile world means more migration and more conflict.

Member States agreed to develop a framework for delivering a global goal for adaptation. The final text recognized the 2022 Intergovernmental Panel on Climate Change (IPCC) report,^[1] which was a positive step.

Progress on a road map for the previously agreed doubling of funds for adaptation efforts did not make it into the final text. Instead there was a call for (another) report on the effort.

The Gates Foundation called for bold and urgent adaptation actions committing US\$1.4 billion to meet climate adaptation needs of smallholder farmers. This commitment will partner with IFAD to empower women farmers, support innovations at the intersection of gender and climate adaptation, and boost climate finance so that rural women have better access to climate-smart resources.

¹ Paragraph 20(d).

IFAD focused on the findings of the [United Nations Environment Programme Adaptation Gap report](#), which states that current finance flows are 5-10 times below estimated needs.[2]

IFAD has historically prioritized adaptation finance, and in 2019-2020, 92 per cent of IFAD's climate finance was for climate change adaptation focused mainly on strengthening different parts of food systems.

b. Who pays, and how much?

Discussion on the topic of the previously pledged, but undelivered, annual US\$100 billion of climate finance was common. The cover text called for a set of reforms “with a view to substantially increasing climate finance”,[3] and a dialogue to be continued at COP28.

Calls were made to transform the Multilateral Development Banks (MDBs) to align with article 2.1c of the Paris Agreement: “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”, as well as to pick up the recommendations being made by the [Capital Adequacy Ratio review report](#) commissioned by the Ministries of Finance of the G20.

Discussions on the side lines of COP27 built support for the Bridgetown Initiative, developed by the Prime Minister of Barbados, which recognized that developing countries are becoming increasingly indebted and having to borrow at high rates, preventing countries from taking effective action on climate change.

Some policies from the discussion included using International Monetary Fund Special

Drawing Rights (SDRs) to establish a US\$100 billion climate mitigation trust, to lend directly to projects instead of governments, and using the fund to mobilize resources from the private sector to be lent out at low rates for green projects. Ways to increase MDB risk appetite, provide concessional finance and develop green debt swaps were discussed. SDRs for [Barbados](#) and [Costa Rica](#) (from the Resilience and Sustainability Trust) were announced.

The COP27 Presidency published [The Sharm el-Sheikh Guidebook for Just Finance](#), aiming to stimulate climate-related financing, strengthen multilateral cooperation efforts and international partnerships, and develop an international framework for innovative financing. The guidebook featured two best practice examples from IFAD focusing on deployment of risk mitigation instruments to attract financing from the private sector, as well as the use of ‘resilience credits’ as a possible new innovative financial instrument, conceptualized by IFAD in collaboration with the Government of Egypt.

c. Koronivia Joint work on Agriculture

Agriculture was addressed in a more holistic and integrated manner by the United Nations Framework Convention on Climate Change (UNFCCC) negotiators. According to COP27's final agreement, the Sharm el-Sheikh Joint Work will replace the Koronivia Joint Work on Agriculture.

The Sharm el-Sheikh work programme's mandate also includes cooperating with “the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund, and the Special Climate Change Fund”, which establishes an avenue to provide more and better-targeted resources in support of small-scale food producers.

2. IFAD's A.V.P. Puri was a member of the invited expert review committee and also the advisory board.
3. IX, paragraph 37.

It invites United Nations and other stakeholders “to strengthen collaboration to the joint work, including with a view to fighting hunger on the ground, addressing in particular the needs of women, children, youth, indigenous peoples, and local communities”, which highlights the need to work with relevant organizations focusing on the most vulnerable.

Moreover, parties have decided to “establish the Sharm el-Sheikh online portal under the joint work for sharing information on projects, initiatives and policies for increasing opportunities for implementation of climate action to address issues related to agriculture and food security”, which could create a platform for coordination on coherent and transformative climate investments in agriculture.

d. Loss and damages

One of the most significant results from COP27 was the agreement of parties on a new fund to provide money for loss and damages associated with the adverse effects of climate change. There were various suggestions and negotiations about whether to set up an entirely new fund and who should be expected to contribute to it.

The finalized agreement targets those “that are particularly vulnerable” in its wording. Developed countries, development banks, NGOs and businesses are “urged” to support the fund, and on top of the new facility there is a reference to sources of money “under and outside” the United Nations process.[4]

Most of the current funding is targeted to insurance programmes, early-warning systems, and further development support for the Santiago Network.

The ‘Global Shield’ initiative is the largest conglomeration of funds for loss and damages, led by Germany and the G7 along with the V20 group, but Denmark also pledged US\$20 million to go directly to the loss and damage fund.

Discussion

This was the second longest COP in history. Language specifically mentioning fossil fuels was controversial and excluded from the final cover agreement. COP27 drew very strongly on the COP26 agreement, including the specific language on the 1.5 °C target and the “phase down” of coal power, although the language of renewable energy was changed to “low-emission and renewable energy”.

The 1.5 °C goal continues to be on life support. According to the IPCC, global emissions must peak by 2025 at the latest to avoid exceeding 1.5 °C, and that global goal was reconfirmed at COP27 after a two-year period of review.

There was a strong positive step regarding methane emissions, which have more than 80 times the warming power of carbon dioxide emissions over the first 20 years after they reach the atmosphere. Over 150 countries have now agreed to the Methane Pledge to reduce methane emissions by 30 per cent by 2030, and IFAD has partnered with the Government of the United States to assist in moving from pledges to concrete actions.

Adaptation finance continues to be neglected, despite its previous indication as a central pillar in the framing of COP27. Clear and realistic delivery mechanisms remain undecided.

Connecting private sector willingness to invest in climate transition still needs a pipeline, which did not emerge clearly from COP27. There was a recognition of platform-based financing to improve aid effectiveness and just transition. Increased investment for Egypt's Nexus between Water, Food and Energy (NWFE) programme and Indonesia's Just Energy Transition Platform is a strong signal of moving towards a programmatic approach of financing.

As the lead of the food pillar of the NWFE programme, IFAD will continue to coordinate with development partners and the private sector to bring about synergies and ensure alignment between financing flow and priority needs identified by the government.

It is a historic victory to have loss and damages noted, but the actual mechanism of the fund needs clarification. Going forward, this must sync with the overall financial system and avoid creating incentives which shift focus away from financing from mitigation and adaptation pledges in line with Nationally Determined Contributions. It must be nimble, flexible, with specific measurable and trackable outcomes, and directly accessible for those who need it.

Calls for further refinement of the COP process, agreement on a loss and damage fund, and discussion of reform of the international financial institutions to address climate issues may be considered the most significant outcomes of the conference in future.



Authors

- Dr. Jyotsna Puri is Associate Vice-President at the International Fund for Agricultural Development (IFAD).
- Jahan Chowdhury is Global Cluster Lead for climate at IFAD.
- Daniel Connaghan is a Knowledge Management and Research Consultant at IFAD.

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