Briefing

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Policy pointers

Climate finance is a mirage for many who need it most: just 1.7% of the global total is estimated to reach locally controlled organisations. Donors must urgently increase this figure to help communities build resilience to climate-related risks.

Support for effective local climate action should be channelled via the many existing forest and farm organisations running locally trusted savings and loan funds or regional or national credit agencies.

Donors should recognise locally controlled organisations as a force for climate resilience — globally as well as locally — and support scaling up their approach of supporting millions of members through collective investments.

Federations of Indigenous Peoples, forest communities and smallholders must be better represented in international funding processes, with status as accredited conduits and recipients of the Green Climate Fund, Global Environment Facility and bilateral aid.

Local climate resilience finance: how can mirage become reality?

Climate resilience is an increasingly pressing need in forest and farm landscapes. Rural communities in the global South are hard hit by temperature extremes, variable rainfall, droughts, fires, storms, flooding, pests, disease, landslides and, in some places, salination and sea level rise. Yet for most of the world's 1.5 billion forest and farm producers, a helping hand from external climate finance (that controlled by national and international agencies) remains a mirage: as little as 10% of global funds reach the local level, with just 1.7% accessible to locally controlled organisations. Nevertheless, producers establish such organisations in great numbers, looking to them as trusted self-generated sources of credit and investment able to finance at least 30 proven options for increasing climate resilience. But this internal funding can only go so far. It is time for locally controlled organisations to take their place in a new climate resilience blueprint, as required beneficiaries and accredited partners for external climate finance.

The scale of the climate-related risks facing Indigenous Peoples, local communities and smallholder farmers is truly frightening. Increasing risks are predicted to include temperature extremes, more variable rainfall patterns, droughts, fires, storms, flooding, pest and disease outbreaks, landslides, rockfalls and avalanches, and even salination and sea level rise. By 2050, we can expect an additional annual 250,000 climate-related deaths from heat and disease exposure,[1] 529,000 additional deaths annually from food shortages[2] and 720 million further people pushed into extreme poverty.[3]

The pipeline of climate finance earmarked to help local people is blocked. Building climate resilience requires integrated investments into risk assessment and adaptive resilience responses — both at local level. But while total international climate finance mobilised by developed countries for developing countries has exceeded US$70 billion annually since 2017, as little as 10% is believed to reach anything approaching 'the local level'[4] and just 1.7% may reach forest and farm smallholders and their organisations.[5] But the real figures are hard to trace: donors neither track nor report on how much reaches local actors, the terms they provide it on or who decides on its use.[6] In other words, if a monumental climate finance fiasco was afoot, it would be difficult to track.

With little external support, organisations set up by Indigenous Peoples, local communities and smallholders are often the only agencies building climate resilience in remote forest areas. Whether established to protect rights or generate income, these organisations frequently share knowledge on how their social networks, farms, businesses and infrastructure might better persist, adapt or reorganise as the climate changes. Local organisations also play a pivotal role in funding climate resilience, often mobilising the necessary finance from sales of their forest and farm products.

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The scale of locally sourced finance for climate resilience is potentially huge. The combined gross annual value of forest and farm smallholders is estimated at between US$0.87–1.29 trillion,[7] dwarfing the total amount of official development assistance (ODA) for climate mitigation and adaptation combined. With more than 2 billion people unbanked, many rely on locally organised savings and loan funds or other local credit associations for the investments needed for climate resilience. Just one of several internal finance models, the Village Savings and Loan Association (VSLA) extends saving and loans to more than 20 million people in 77 countries. It is recognised that there has been explosive growth in the numbers, scale and relevance of local organisations over recent decades to help people cope and push for broader systemic change.[8]

For local organisations, climate resilience is a matter of survival and therefore a high priority for internal investment. When surveys of 41 locally controlled organisations in six countries asked about their knowledge needs relating to land and natural resources,[9] their top priority was increased access to climate resilience information and options.

Creating a resilience framework

The Forest and Farm Facility (FFF) is a partnership between FAO, IIED, IUCN and Agricord; it provides direct financial support to local organisations in forest landscapes, seeking to improve climate resilience and livelihoods. Over the last two years, FFF has been working with local organisations to co-produce a framework[10] for understanding climate resilience and how to achieve it (see Figure 1). This was developed through a series of case studies[11] on tools and approaches used by local organisations to improve their members' climate resilience, an academic literature review and regular learning insights from grants reporting on climate resilience work.

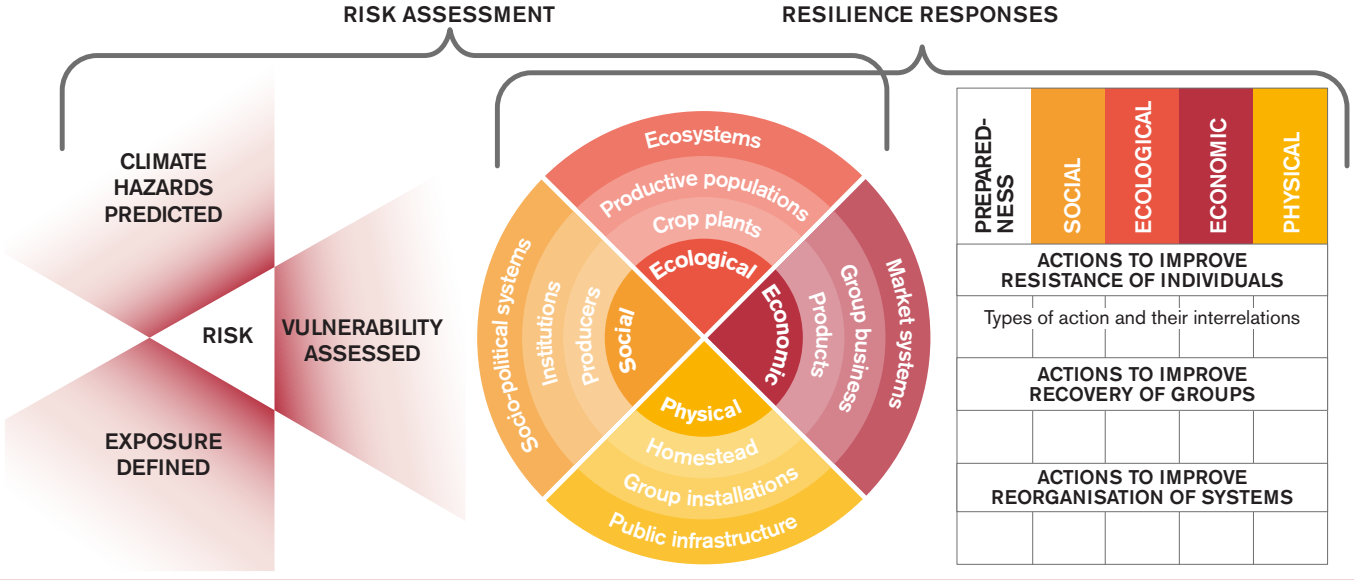
On the left, Figure 1 describes the process of climate risk assessment, including its three main elements: predicting the nature of climate hazards, defining forest and farm producers' exposure to them and assessing those producers' vulnerability (which can be supported by good household-level survey tools such as 'SHARP').[12] The central target shape illustrates the four dimensions of climate resilience responses: socio-cultural options for more resilient organisations, ecological options for more resilient forest and farm production systems, economic options for more resilient businesses, and physical and technological options for more resilient infrastructure.

On the right side, Figure 1 shows how each dimension must be considered at the level of the individual, group and broader system. This table indicates that local organisations will likely need to develop a menu of resilience options; however, if in context only one resilience response is needed, it is appropriate to develop only one of the squares in that table.

When applying the framework, it is worth remembering that resilience is not an easy or exact science. Some points worth emphasising are:

- Complexity. Compressing climate resilience into four dimensions is a (necessary) simplification! The priority is to ensure that all the relevant aspects of resilience, and perceptions of different stakeholders, are considered.

Figure 1. Summary of the co-produced framework for climate resilience



- Connectivity. What happens in one dimension will affect another. If the ecological dimension fails (for example, a farm burns down), the economic dimension (in this case, the business) might also fail. A good rule of thumb is to focus on the most vulnerable elements of interlinked systems.
- Cyclicality. The dimensions involve constantly changing adaptive cycles (for example, an economic system like a market may also be wiped out by a fire, but then traders move back in, service providers re-open and the market system is re-established). Understanding the stages and time required for each dimension to bounce back can improve resilience plans.
- Gender. Resilience comprises gender-specific elements. Widespread patriarchal social norms often disproportionately restrict women and girls' access to rights and resources, resulting in a gendered experience of climate stress. In contrast, putting gender equity at the heart of resilience can build disproportionately positive outcomes.

It is imperative not to ignore the broader politics shaping vulnerability (such as to whom resources flow); a strong resilience framework must include an element of fighting for climate justice.

How local organisations can upscale resilience responses

Innovations in organisation design and in how they form a network can help improve both climate risk assessments and resilience responses. When building climate resilience, it seems a great advantage to have organisations arranged in nested tiers. This allows local first-tier groups linked through district or provincial second-tier associations to connect with regional or national third-tier unions or federations. Tiers do not imply superiority of knowledge or function in upper levels, but rather indicate useful and different information and functions at each level.

Tiered structures that link local groups with apex-level representative bodies can achieve several things:

Figure 2. The 30 climate resilience options routinely developed by local organisations across the four dimensions of climate resilience, each with an example activity

SOCIO-CULTURAL

1.Organisational systems
Eg improving how organisations manage change

2. Membership services
Eg knowing and meeting the changing needs of members

3. Political representation
Eg building climate relationships with governments

4. Technical extension
Eg upskilling members in sustainable land management

5. Business incubation
Eg providing services to help diverse businesses flourish

6. Financial services
Eg forming credit groups or offering insurance

7. Quality assurance
Eg using certification schemes to guarantee standards of production

8. Cooperative union
Eg linking to like-minded producer organisations to gain political and market power

ECOLOGICAL

9. Climate-adapted stock
Eg planting drought-resilient species and varieties

10. Biodiversity
Eg expanding the diversity of on-farm plants

11. Spatial optimisation
Eg increasing productivity through clever arrangements of trees and crops

12. Tree-based productivity
Eg using nitrogen-fixing trees to increase farm production

13. Pest management
Eg using integrated approaches to take the sting out of pest outbreaks

14. Soil erosion control
Eg stopping soils from being washed away

15. Soil mulching
Eg using organic matter to enrich soils and retain soil moisture

ECONOMIC

16. Increase scale
Eg expanding membership to grow market power

17. Stock information
Eg keeping better track of product volumes and quality

18. Processing and packaging
Eg making products more desirable

19. Vertical integration
Eg increasing control over steps in the supply chain

20. More distribution channels
Eg diversifying the outlets that sell your products

21. Better marketing
Eg promoting the use of your products and finding markets for 'waste'

22. Horizontal diversification
Eg growing and making new things

PHYSICAL/TECHNOLOGICAL

23. Maps and plans
Eg creating maps to secure tenure and agree on land use

24. Inventory and remote sensing
Eg monitoring forest condition to prove sustainability

25. Physical boundaries
Eg using firebreaks, windbreaks and fences to protect production

26. Terracing
Eg installing terraces and contour hedging to protect soil fertility on slopes

27. Water management
Eg installing water harvesting or irrigation

28. Storage and transport
Eg increasing storage capacity to wait for higher market prices

29. Electrification and technology
Eg opening up possibilities for cost-cutting technology

30. Information services
Eg obtaining up-to-date information on markets and weather

- Improved downward spread of useful risk assessment information (for example, on weather) and potentially the resources (such as climate finance) to help implement appropriate responses
- Better horizontal spread of information on resilience responses (such as ways of diversifying crop species) via peer-to-peer learning between local forest farmers
- Greater potential for the upward spread of local responses (farming methods, cultivars and so on) as well as monitoring to inform future approaches.

Resilience options: take-up and co-benefits

Despite the ever-changing vocabulary of climate change in 'new' approaches like green recovery, nature-based solutions, ecosystem-based adaptation, forest landscape restoration and so on, when it comes to implementation, they all rely on the same 30 or so practical options for climate resilience. Figure 2 lists these options, organised under the four dimensions of climate resilience (socio-cultural, ecological, economic, and physical and technological), and offers examples of how local producers might work towards them in practical terms.

FFF case studies from Bolivia, Ecuador, Ghana, Kenya, Madagascar, Nepal, Tanzania, Togo, Vietnam and Zambia[11] showed that even very local organisations had diversified into many (always more than half) of the 30 climate resilience options. This is a striking finding: it demonstrates both necessity (how important climate resilience must be to local organisations) and efficiency (how good they are at putting climate resilience options into practice).

Climate resilience action taken by local organisations often has positive co-benefits for reducing poverty, protecting biodiversity, restoring forest landscapes and mitigating climate change.

A whole dimension of resilience relates to economic issues that play directly into poverty reduction. While only one of the 30 options directly addresses enhancing biodiversity, several others imply enhancement (for example, horizontal diversification into new value chains, often requiring a different crop). Additionally, many of these climate resilience options reverse land degradation and enhance carbon sequestration by increasing on-farm woody vegetation and soil organic matter.

Time to unlock climate funding

Climate resilience is urgent work: for many people in remote forest and farm landscapes, it is the work of survival. As agencies grapple with how to 'build back better' from COVID-19, investing in the resilience of local organisations could offer a range of beneficial outcomes. To enable this, donors and national-level decision makers must urgently:

- Improve the representation of national and regional federations of Indigenous Peoples, forest communities, and forest and farm smallholders in funding processes related to the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD) — including the Global Environmental Facility (GEF), Green Climate Fund (GCF) and bilateral aid
- Channel much more external climate finance to and through local organisations
- Ensure processes for funding accreditation and receipt are practicable for local organisations
- Sharpen indicators around how much climate finance reaches local-level organisations, to concretely measure progress.

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Notes

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Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges. We support some of the world's most vulnerable people to strengthen their voice in decision making.

The Forest and Farm Facility (FFF) provides direct financial and technical support to local organisations representing smallholders, rural women's groups, local communities and indigenous peoples' institutions as a partnership between FAO, IIED, IUCN and Agricord, funded by the Governments of Finland, Germany, Netherlands, Norway, Sweden, the EU, the USA and IKEA.

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