CLIMATE FINANCE

THE NEED FOR EFFECTIVE AND LOCALLY-LED CLIMATE FINANCE TO BUILD FARMER CLIMATE RESILIENCE

KEY MESSAGES

- Current climate finance does not adequately meet the needs of the world's 475 million small-scale farmers who are most affected by climate change, yet least responsible for it. In fact, less than 2% of global climate finance reaches small-scale farmers.

- In order to achieve small-scale farmer resilience, evidence suggests that locally-led and anchored approaches are more effective and more sustainable in the long-run.

- Climate finance access for small-scale agriculture faces structural barriers such as inappropriate planning and delivery instruments, lengthy and expensive proposal development processes and too little risk appetite by climate finance providers.

- To ensure that climate finance effectively supports small-scale farmer resilience, donors need to rethink finance delivery approaches. We propose structural changes that align with locally-led adaptation principles[1].

- We call upon donors, climate finance providers, policymakers, and the private sector to commit to the support of locally-led climate action, increase climate finance targeted at the small-scale agricultural sector, and simplify access to climate finance to small-scale farmers and farmer support organizations.

- Solidaridad proposes six concrete actions for climate finance providers and policymakers to enable locally-led climate resilience efforts by small-scale farmers that can strengthen and empower local institutions to scale gender equitable and socially inclusive climate action. These include:

  - Provide patient, flexible and predictable long-term (>8 years) climate financing for locally-led resilience-building initiatives;
  - Simplify access to climate finance for locally-led small-scale farmers' initiatives;
  - Reduce accreditation barriers through simplified procedures;
  - Provide unrestricted grant finance to small-scale farmers and vulnerable groups that are disproportionately affected by climate change;
  - Mobilize additional public and private sector finance and redirect existing funding for climate action, with clear mechanisms to channel funds to locally-led initiatives targeting small-scale farmers and vulnerable groups;
  - Increase the portfolio of bilateral and international climate finance institutions that serve higher risk small and medium enterprises to enable food security and rural green jobs.

SMALL-SCALE FARMERS ARE AMONG THE GROUPS MOST AFFECTED BY CLIMATE CHANGE

Globally, there are more than 570 million farms of which 475 million (84%) are small-scale farms of less than 2 hectares and family-operated[2]. The livelihoods of more than 2.5 billion people depend on small-scale agriculture and family farming. These farmers are also among the most vulnerable to global climate change and they have little say in policies that determine their future. The situation for women farmers, youth, and indigenous groups is often worse given systemic barriers to inclusion.

The latest scientific evidence by IPCC[3] states *"that climate change has slowed the growth in overall agricultural productivity. Increasing extreme weather events have exposed millions of people to acute food insecurity, particularly in Africa, Asia, Latin America, Small Islands and the Arctic. Climate change is putting increasing pressure on food production and access in vulnerable regions and is expected to exacerbate food insecurity and malnutrition unless urgent climate action is taken."*

SMALL-SCALE FARMING PATHWAYS TO RESILIENCE NEED LOCALLY-LED APPROACHES

Options for protecting food security and farmer resilience in sustainable ways include: **agroforestry, farm diversification, urban agriculture, agroecological principles, ecosystem-based management of fisheries and reducing food loss and waste**[3]. These solutions need to be deployed in a context-specific manner and require locally-led approaches that consider local governance structures, traditions, and intergenerational and indigenous knowledge. Evidence shows that top-down solutions tend to be unsustainable and unjust for effective adaptation[4]. In contrast, reports show that locally-led action and financing contribute to improved access to more cost-effective inputs and increased incomes, leading to the streamlined delivery of services and incentivizing local actors to spend scarce financial resources more effectively[5]. Effective support from local and national organizations creates more accountable and democratic outcomes, more equitable results locally as well as reduced conflicts[6]. Decentralized governance mechanisms often lead to more effective outcomes in the long term that respect local traditions.

CURRENT CLIMATE FINANCE DOES NOT SERVE SMALL-SCALE FARMERS

In the Glasgow Climate Pact, it was noted "with deep regret" that developed countries failed to meet the goal of providing USD 100 billion per year by 2020[7]. Third-party research places the agricultural and household-related financial needs of small-scale farmers at approximately USD 240 billion per year globally[8]. For the vulnerable small-scale agriculture sector, the climate finance delivery is wholly insufficient. Despite the well-known challenges around transparency and traceability of international climate finance, a recent analysis tracked cumulative climate finance for agriculture, forestry, and land use at only USD 20 billion per year in 2017/2018[9]. It represents 3% of the total tracked global climate finance for the period. Just 1.7% of climate finance goes to small-scale farmers in developing countries[8]. More than 90% of this finance is from public sources, such as government donors, bilateral and multilateral development finance institutions.

Another major challenge of international climate finance is how it is deployed: a recent study tracking climate finance[4] revealed that very little international climate finance supported locally-led adaptation solutions or targeted the most vulnerable groups such as women, youth and indigenous people in the countries most affected by climate change. Non-state actors and the local private sector have been a lesser focus for climate finance. This is a missed opportunity for cost-effective and long-lasting resilience building.

At COP 26, we welcomed the Glasgow Climate Pact commitment to double adaptation finance by 2025 in comparison to 2019 levels. For future climate finance delivery we urge global climate finance providers and policymakers to reflect on delivery mechanisms by taking into account the following key barriers to more effective delivery and locally-led adaptation action.

KEY BARRIERS TO CLIMATE FINANCE FOR SMALL-SCALE AGRICULTURE

Our experience and research[6] on international climate finance shows that locally-led initiatives and farmers face structural barriers to access climate finance. This prevents efficient and effective delivery of international climate finance to the benefit of small-scale farmers:

1 Funding cycles and program delivery mechanisms rarely match local realities, giving little flexibility for local planning, implementation and learning cycles. Financing timelines are too short and do not match development cycles, which tend to be more than 5 years - the standard maximum duration of climate finance projects. In addition, there is often a heavy and resource-intensive burden on monitoring and reporting to donors and little flexibility in program adaptation to local needs. This prevents effective and efficient climate finance delivery.

2 Funding application modalities and procedures are complex, resource intensive and require significant technical skills that the majority of locally-led initiatives and organizations do not have or cannot afford. Proposal processes can take up to 2 years, cost over USD 500,000, and can require putting together over 1,000 pages of supporting documents. Proposal approval can be stalled due to the lack of robust historical climate data - a major challenge in many low-income countries. Such processes favor large organizations with sufficient resources. But those tend to be less anchored in local realities and less effective in the long-run. This results in limited funding delivered through international intermediaries/accredited entities, which often results in fewer funds reaching local stakeholders.

3 Complex and expensive accreditation processes to access international climate finance prevent the majority of civil society organizations from accessing climate finance. They create a dependency on large international organizations or national/regional entities that tend to have a limited understanding of local needs. In this context, governance mechanisms are often not in place. This prevents local actors from engaging more fully in the design of climate finance projects and from improving project quality and effectiveness.

4 An important point of concern* is that **larger climate funds are risk averse**, have very strict due-diligence processes and manage climate finance as conventional finance. To access these climate funds, even very capable organizations have to invest additional resources and expertise to meet funders' conditions. This results in higher transaction costs for small or local organizations, while funds need to assess smaller projects. The end result is a tendency to fund larger multi-million dollar climate programs. Most locally-led organizations are not positioned or equipped to absorb such funds.

*See the observations in this IIED 2021 publication:
Access to climate finance, workshop report, March 2021[10]

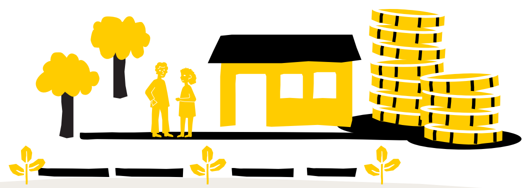
CALL TO ACTION TO CLIMATE FINANCE DELIVERY ORGANIZATIONS AND POLICYMAKERS

With very little climate finance reaching small-scale farmers and other vulnerable groups, and in line with the proposed COP 27[11] decision *"on enhanced consideration and implementation of elements related to agriculture: we urge the international community to increase international cooperation efforts to support sustainable low-carbon and climate-resilient agriculture to fight hunger and poverty, with a focus on strengthening the role of local and indigenous communities and, particularly, women in ensuring food security worldwide"*. We urge the international climate finance community and policy-makers to reflect on current climate finance delivery mechanisms.

We believe that a stronger commitment to and deployment of climate finance towards locally-led adaptation principles[1] is crucial to ensure climate finance serves the people and countries who most need it. We propose that climate finance providers support and prioritise locally-led climate action for small-scale farmers and local communities at scale, so that decision-making power, financial flows and resources are transferred to the local level. Such commitments should enable more predictable and long-term financing for small-scale farmers while strengthening and empowering local institutions to scale gender-equitable, socially-inclusive and locally-led climate action.

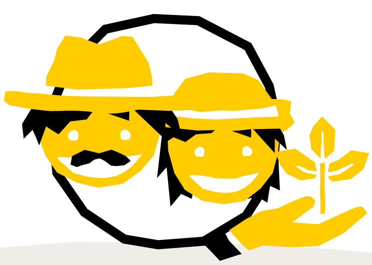
WE URGE CLIMATE FINANCE DELIVERY ORGANIZATIONS TO ADDRESS THE KEY STRUCTURAL CLIMATE FINANCE BARRIERS BY TAKING INTO CONSIDERATION THE FOLLOWING RECOMMENDATIONS:

Simplify access to climate finance for locally-led small-scale farmer initiatives. This includes reducing the complexity, bureaucracy and resource intensiveness of application processes.



Mobilize additional public and private sector finance for climate action in the agricultural sector, with clear mechanisms to channel funds to small-scale farmers and vulnerable groups. Public sector finance should create an enabling environment that facilitates the channeling of public and private sector funds to local actors for climate action. Such action should be supported through innovative mechanisms and partnerships with the private sector, government, research institutions and civil society organizations, among others.

Reduce accreditation barriers through simplified procedures and provide financial support for local organizations to gain accreditation and develop their skills.



Provide unrestricted grant finance to small-scale farmers and vulnerable groups who are disproportionately affected by climate change in order to strengthen food security, livelihoods resilience and local ecosystems upon which these livelihoods depend in the context of climate change.

Provide patient, flexible and predictable long-term (>8 years) climate financing for locally-led resilience-building initiatives that enable long-term, nationally embedded, and locally owned solutions that respond to the needs of small-scale farmers and support locally-anchored organizations.

Increase the risk exposure of bilateral and international climate finance institutions that serve small and medium enterprises. Provide concessional finance and other suitable instruments to the private sector, especially small and medium enterprises normally considered high-risk or are too small.

ABOUT SOLIDARIDAD

Solidaridad is an international civil society organization with over 53 years' experience in developing solutions to make farming and mining communities more resilient — from our early roots supporting communities in Latin America to our current work fostering more sustainable supply chains globally. We currently work in over 40 countries and five continents, through eight independently supervised regional offices.

We help build resilient communities as active participants in resilient, low-emissions food systems. The strategies we implement across the entire food system require strong partnerships to create long-lasting impact. Support from impact investors, public and private donors, as well as small, medium and large companies, as well as collaboration with research entities, government entities and other civil society organizations is essential to enable us to achieve meaningful impact at scale.

Solidaridad is an associate member of the NDC Partnership where we seek to support countries to implement their NDCs, while also ensuring that farming communities can support NDC implementation and benefit from NDC processes.

In 2022, alongside 80+ organizations, Solidaridad has endorsed locally led adaptation principles developed under the leadership of the Global Commission on Adaptation. With this endorsement we advocate for a new climate finance delivery model - a model where local actors have greater power and resources to build climate change resilience.

Solidaridad is an active member of the Cool Farm Alliance, composed of global food brands, NGOs, leading academic institutions, farmer groups and respected agronomists. The Alliance operates the Cool Farm Tool that measures on-farm greenhouse gas emissions, carbon sequestration and other environmental sustainability indicators.

In Latin America, Solidaridad has hosted the Tropical Forest Alliance in Argentina, Colombia, Peru and Paraguay since 2020. The aim of this partnership is to promote the implementation of deforestation-free agreements in key supply chains, engaging companies with the potential to make a sustainable impact at the regional and sector level.

JOIN US
FOR CHANGE THAT MATTERS

REGIONAL CONTACT POINTS:

Eduard Merger
Solidaridad Europe
eduard.merger@solidaridadnetwork.org

Laura Kiff
Solidaridad North America
laurakiff@solidaridadnetwork.org

Sweeny Binsari
Solidaridad East & Southern Africa
sweeny.binsari@solidaridadnetwork.org

Nicholas Jengre
Solidaridad West Africa
nicholas.jengre@solidaridadnetwork.org

Sofía Nuñez Raudales
Solidaridad Central America
sofia@solidaridadnetwork.org

Andrea Olivar
Solidaridad South America
andrea.olivar@solidaridadnetwork.org

Maneesh Kumar Patasaraiya
Solidaridad Asia
maneesh.patasaraiya@solidaridadnetwork.org

VISIT US AT:
WWW.SOLIDARIDADNETWORK.ORG

BIBLIOGRAPHY

1. Principles for Locally Led Adaptation. (2022). Retrieved 17 October 2022, from https://www.wri.org/initiatives/locally-led-adaptation/principles-locally-led-adaptation

2. Woodhill, J., Hasnain, S. & Griffith, A. (2020). Farmers and food systems: What future for small-scale agriculture? Environmental Change Institute, University of Oxford, Oxford https://www.eci.ox.ac.uk/news/2020/0116-new-visions.html

3. IPCC (2022). Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, doi:10.1017/9781009325844 https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/

4. Soanes, M., Shakya, C., Barrett, S., Steinbach, D., Nisi, N., Smith, B., & Murdoch, J. (2021) Follow the money: tracking Least Developed Countries' adaptation finance to the local level. International Institute for Environment and Development (IIED), London https://pubs.iied.org/sites/default/files/pdfs/2021-07/20326iied.pdf

5. King, S. (2014). Community-based Adaptation in Practice: A global overview of CARE International's practice of Community-Based Adaptation (CBA) to climate change. CARE International. Retrieved from https://careclimatechange.org/community-based-adaptation-in-practice/

6. Holland, E., Patel, S., Roe, D. and Shakya, C. (2022). Money where it matters for people, nature and climate: driving change through support for local level decision making over resources and finance. International Institute for Environment and Development (IIED), London https://www.iied.org/sites/default/files/pdfs/2022-05/20966iied.pdf

7. UNFCCC (2021), FCCC/PA/CMA/2021/L.16, UNFCCC Secretariat, Bonn, Retrieved from https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

8. Chiriac, D., & Naran, B. (2020). Examining the Climate Finance Gap for Small-Scale Agriculture. Climate Policy Initiative (CPI) & International Fund for Agricultural Development (IFAD). Retrieved from https://www.climatepolicyinitiative.org/publication/climate-finance-small-scale-agriculture/

9. Timperley, J. (2021) The broken $100-billion promise of climate finance — and how to fix it. Nature. Retrieved October 24, 2022 from https://www.nature.com/articles/d41586-021-02846-3

10. Shakya , C., Smith, B., Soanes, M., Bharadwaj, R., Holland, E. (2021). Access to climate finance - Workshop Report - 23 February 2021. IIED, London https://www.iied.org/10213iied

11. UNFCCC (2022), Draft decision -/CP.27, UNFCCC Secretariat, Bonn, Retrieved from https://unfccc.int/sites/default/files/resource/Koronivia_i9_ta4%20elements.pdf

Solidaridad