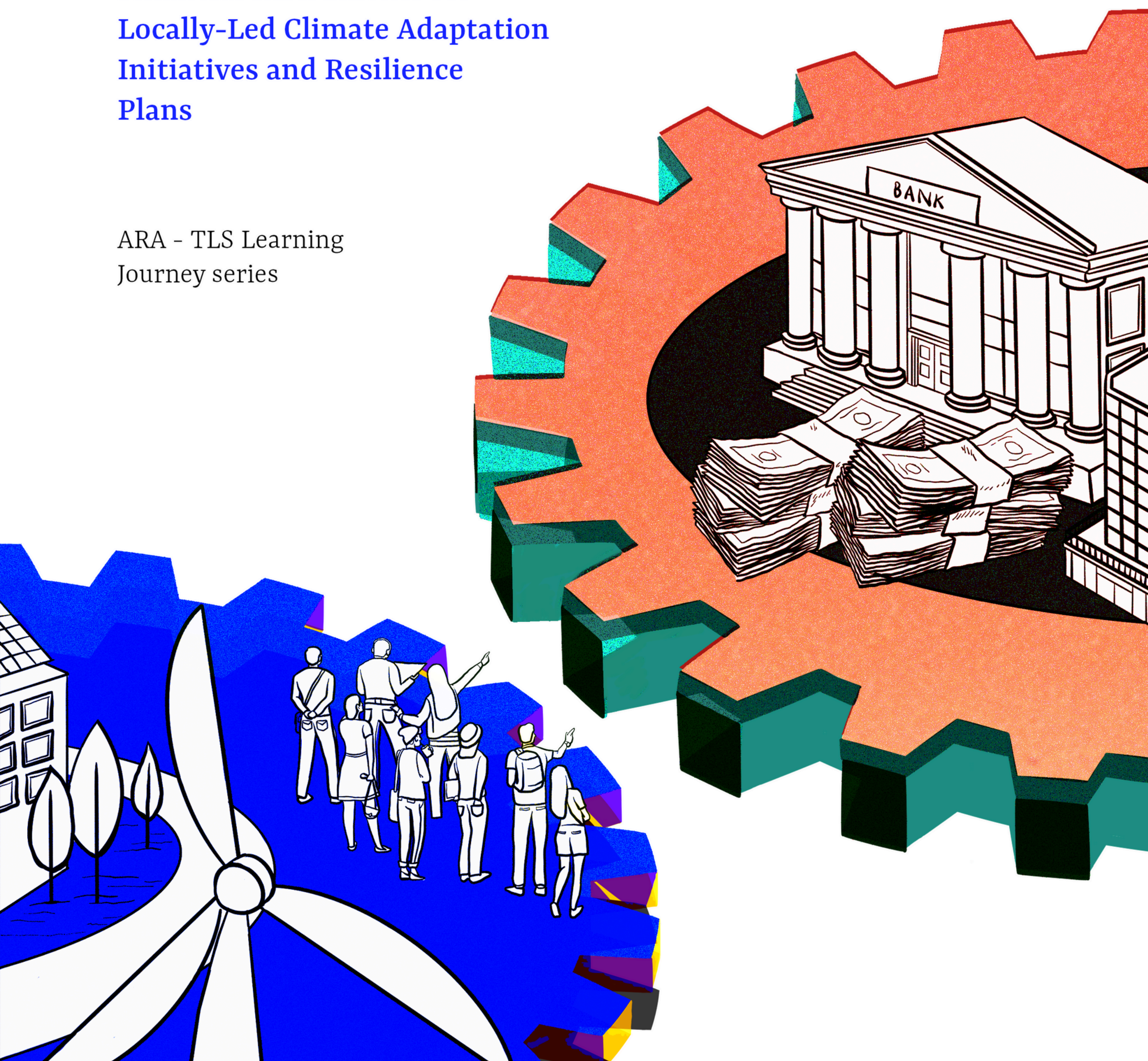


# Finance for Locally-Led Adaptation

Financial Instruments for  
Locally-Led Climate Adaptation  
Initiatives and Resilience  
Plans

ARA - TLS Learning  
Journey series



## About the authors

The report is developed collectively by the ARA TLS team, including Prerna Singh, Diksha, and Abhipsha Ghosh from Transitions Research.

## Acknowledgements

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## About the Adaptation Research Alliance

The Adaptation Research Alliance (ARA) is a global coalition responding to the urgent challenges faced by vulnerable communities from climate change. Their membership is made up of researchers, funders, policymakers, development bodies and community-based organisations committed to action-oriented research for adaptation that supports climate resilient futures.

## About Transitions Research

Transitions Research is a social science research collective. We examine radical transformations shaping our future, including both urbanisation and the emergence of a climate-resilient society. Our research on urban resilience foregrounds social vulnerability, the differential impact on marginal social groups and communities. Our expertise is focused on driving climate action that's inclusive and participatory by engaging with diverse stakeholders to co-create and test resilience solutions that address challenges of the most vulnerable.

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# Content

<b>Overview</b>	4
<b>Broad insights from ARA community</b>	5
<b>Effective Strategies for Local Climate Action: Supporting Community Ownership</b>	6
• <b>Published Perspectives</b>	6
• <b>Voices from the Ground (Interviews and FGDs)</b>	6
<b>Key Challenges</b>	6
• <b>Published Perspectives</b>	6
• <b>Voices from the Ground (Interviews and FGDs)</b>	6
<b>Way Forward</b>	7
<b>Method &amp; Insights</b>	8
• <b>Literature Review</b>	9
Insights from Literature Review	
• <b>In-depth Interviews</b>	10
Results from interviews and individual reflections	
• <b>Member Engagement</b>	13
Insights from Member Engagement sessions	
<b>Concluding Remarks</b>	15

## Overview

Access to finance is a critical obstacle to scaling climate initiatives in developing countries, hindering the empowerment of local communities and indigenous populations as well.

**Funding for locally led adaptation** in these regions is plagued by **capacity gaps, accountability issues, inadequate resources, and poor alignment with local needs.** The financial instruments are also often insufficient for effective adaptation measures.

Climate finance in the Global South has traditionally prioritised mitigation efforts, with adaptation finance significantly underfunded. Despite reaching \$30 billion annually by 2017/2018, the adaptation finance gap remains substantial, with estimated annual costs ranging from \$140 billion to \$300 billion, potentially increasing to \$280 billion to \$500 billion by 2050.

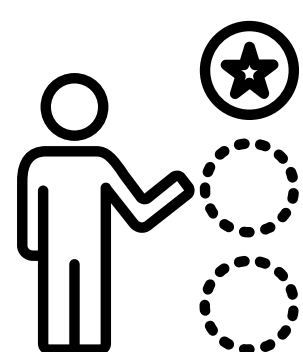
This highlights the urgent **need for increased funding and support for resilience and capacity building.** This learning journey identified existing LLA mechanisms, examined community members' experiences in financing LLA projects, and investigated ways to foster better collaboration and mutual understanding.

## Broad insights from ARA community

The ARA community members working on locally led adaptation (LLA) projects in the Global South are consistently facing funding challenges.



**Interviews and workshops have highlighted two key issues:** a gap between allocated funds and actual needs, and a communication disconnect between funders and recipients.



**Funders often prioritise technical criteria,** while recipients seek to demonstrate eligibility through capacity rather than scale.



Community members **face a shared challenge in securing long-term adaptation funding.**



Members have proposed **collective solutions to address this financial constraint.**

Secondary research has identified various funding mechanisms available to different organisations, targeting distinct regions, which can be accessed by meeting specific eligibility criteria.

## Effective Strategies for Financing LLA Projects

### Published Perspectives:

- Funders within the ARA community offer various mechanisms that can be utilised for adaptation projects in specific regions, based on set criteria.
- Most LLA projects primarily focus on food security. A positive step taken is empowering local communities by emphasising sustainable livelihoods, particularly in agriculture.

### Voices from the Ground (Interviews & FGDs):

- To advance climate resilience, it is important to streamline funding solutions and empower communities through targeted training.
- It was also crucial to integrate resilience into local governance and boost government programme impact without extra costs.

## Key Challenges

### Published Perspectives:

- The ARA community members' published presence lacked detailed information about the types of funds used for LLA projects, which limited the ability to identify challenges from secondary sources.
- However, one recurring theme was the strong focus on food security and agriculture, with other areas receiving less attention.

### Voices from the Ground (Interviews & FGDs):

- Local climate initiatives often fail to get funding due to geographic restrictions and strict eligibility criteria, despite having viable projects.
- Regional disparities in government support worsen this, leading to uneven development and the exclusion of capable organisations from accessing funds.

# Way Forward

1

## Funders' Action

Funders must simplify processes, increase flexibility, and prioritise local relevance so as that their strategies are able to support climate adaptation projects better. This further calls for dedicated funds, constructive feedback, flexible timelines, and prioritising community-driven initiatives.

2

## Empowering Local Organisations

Local organisations must improve proposal quality, collaborate, and use evidence-based approaches to secure funding. They should also tailor proposals to local contexts, research political and economic factors, and balance short-term needs with long-term goals.

3

## Effective Capacity Needs

To drive change, local organisations require capacities in partnership building, impact demonstration, innovation, and transparency. Key areas for partnerships include consortium formation, robust monitoring, social media engagement, and cross-cutting outcomes adaptation outcomes was necessary to further develop impact measurement systems.

## Method & Insights

This chapter presents the details of the data collection, analysis, synthesis, and emerging results for this specific learning journey. To better understand the ARA community's work we undertook three different approaches: Literature Review, One-on-One Interviews, and Focus Group Discussions (FGDs).



## Literature Review

A comprehensive review of literature published by the ARA community (234 members as of March 2024) was undertaken to investigate financial instruments available and known to the ARA community for locally-led adaptation initiatives in the Global South.

### Insights from Literature Review:

The funders who are members of the ARA community come from diverse backgrounds such as philanthropic foundations, development agencies, and international organisations that invest in climate adaptation in the vulnerable regions of Global South. They utilise various financial instruments, including grants, equity, and debt, to support projects in agriculture, biodiversity, and resilience-building. Each funder has specific application processes, with a focus on fostering innovation and interdisciplinary approaches to tackle climate challenges.

To support locally led adaptation initiatives across research and action life-cycle, ARA member funders and research and action organisations can join forces, leveraging their collective resources and expertise to drive sustainable impact.

## In-depth Interviews

For a more in-depth understanding of individual actions being taken by ARA members, semi-structured interviews were conducted. A preliminary survey was shared with the ARA member community to gauge interest in members to interview for in-depth conversation on the topic of finance for LLA.

From survey responses, nine member organizations were identified for in-depth interviews on this topic. Semi-structured interviews explored ARA members' experiences in financing locally-led projects.

The interviews aimed to:

- Investigate challenges in securing or utilising financial instruments for locally-led adaptation initiatives
- Document successful strategies or practices for securing financial support
- Identify non-traditional funding methods for adaptation work

## Results from interviews and individual reflections:

### 1. Barriers to Accessing Funding

- Geographical and Technical Limitations: Local initiatives often miss out on funding due to geographic restrictions and stringent criteria, despite having viable projects. “One of the reasons why we were not successful... it was not allotted to our country.”
- Threshold Requirements: Strict past experience criteria exclude capable local organisations from accessing necessary funds. “Past records of managing funds hadn't reached the threshold... it becomes a very big challenge for local initiatives like ours.”

### 2. Challenges with Fund Allocation

- Inequitable Distribution: Funding and support vary widely across regions, with some areas receiving more aid than others, leading to uneven development. “It was supposed to be for the entire Federation but in practice it was really not accessible to farmers from the south.”
- Variance in Government Support: Regional disparities in government support affect the effectiveness of local adaptation efforts. “You see a lot of that happen in the north, but you don't see a lot of that in the southeast.”

### 3. Importance of Capacity Over Scale

- Capacity Building Needs: The organisation’s ability and knowledge is what should be emphasised, not just large-scale funding experience in the past. “Capacity to manage is not entirely tied to scale of funds... ability, knowledge, and experience to manage is entirely different and should be paramount.”
- Inadequate Access: Local initiatives have growth potential but are limited by inadequate access to funds. “Local people have indirectly been receiving some form of financial support... but it's a little drop in the mighty ocean.”
- Capacity over Scale: Funding models should prioritise capacity over scale, enabling smaller organisations to access resources. “It should be on the strength that my organisation has the capacity to manage... and not necessarily whether they have managed large or small funds.”

## **Case study: Empowering Local Communities through Carbon Credits in Guatemala - Chris Perine, Chemonics International, Africa**

### **Challenge:**

Climate funding often fails to reach local communities due to inefficiencies and mismanagement. Even when funds do arrive, communities may lack the experience to use them effectively, leading to unsustainable outcomes.

### **Approach:**

In Guatemala, a carbon credit programme was designed to empower local farmers and ranchers by monetising their natural assets—forests, wetlands, and farmlands—into carbon credits. These credits are sold in the voluntary market, with proceeds directly benefiting the communities involved.

A local NGO, with deep ties to the community, manages the programme alongside international partners. This collaboration ensures that the programme is tailored to local needs, fostering trust and active participation.

### **Long-term Commitment:**

Five-plus years of local engagement, building community capacity for sustainable economic growth

### **Outcomes:**

- Sustainable Growth: Communities are guided to invest in long-term, beneficial projects
- Empowerment: Direct involvement gives communities ownership of their natural resources
- Capacity Building: Ongoing support helps communities manage funds effectively

This programme demonstrated how carbon credits can be used to empower local communities, ensuring that climate action leads to sustainable development at the grassroots level.

## Member Engagement

To build on the knowledge captured through desk reviews and individual interviews, and to leverage the collective strength of the community, various FGDs were conducted across the Global South regions. Here, we brought ARA members together to gather new perspectives on the several roadblocks they had faced during the funding/financing of LLA initiatives. From their experiences, different measures were identified on how the roadblocks can be addressed from both ends, that of the funder as well as the organisation.

The FGDs revolved around three key themes:



### **Rethinking Funding Strategies**

What do funders need to do differently?



### **Local Organisations: Key Areas for Improvement**

What do local organisations need to do differently?



### **Capacity Gaps: Addressing the Climate Adaptation Challenge**

What are the capacity needs to do things differently?

## Insights from Member Engagement sessions (workshops and plenaries):

The engagement sessions examined funding challenges for locally led adaptation projects, identifying strategies to mobilise resources and bridge funding gaps. It reframed the narrative from challenges to solutions, highlighting opportunities for funders and organisations to drive change.

### 1. Leverage Existing Resources:

- **Maximise Impact Without Additional Funds**
- **Local Governance Integration:** Incorporate climate resilience into local governance frameworks (e.g., GPDP) to effectively use existing resources for addressing climate challenges.
- **Optimise Government Schemes:** Boost the impact of current government programmes to improve climate resilience without incurring extra costs.

### 2. Unlock Creative Financial Solutions

- **Parametric Insurance Models:** Utilise parametric insurance to provide quick financial relief to vulnerable communities, offering scalable support.
- **Multi-stakeholder Collaborations:** Foster cross-sector partnerships to pool resources and enhance adaptation efforts.

### 3. Streamline Funding Dynamics and Enhance Collaboration

- **Simplifying Processes:** Encourage funders to simplify procedures and improve technical support, allowing them to be more adaptable and responsive to innovative climate actions.
- **Improving Coordination:** Better coordination among funding bodies is crucial for effective and timely fund disbursement, and also helps foster a unified effort in the climate finance ecosystem.

## Concluding Remarks

Empowering local climate action in the Global South requires bold action. Despite growing recognition, barriers like limited funding, geographic constraints, and uneven government support persist.

The most common obstacle experienced by ARA members was a **disconnect with funders**, resulting in communication problems for some and technical issues for others. Moreover, all of them found the funding application process to be too rigid. To move forward, the gap between funders and ARA organisation members must be bridged through clear communication. ARA community members should collaborate to build capacity, ensuring that funds flow towards long-term adaptation goals.

To overcome these challenges, **funders must adapt, prioritising capacity building and inclusive funding models**. Innovative finance, like Guatemala's carbon credit programme, can empower local communities.

Unity and collective action are crucial. Connecting funders and local organisations can build resilient communities that confront climate challenges effectively. It also allows for leveraging existing resources to empower local leaders.

**Funded by:**

