



PUTTING JUSTICE AT THE HEART OF CLIMATE FINANCE

Shifting resources, leadership and
agency to the local level

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VCA

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This paper has been developed by Hivos within the framework of the 'Voices for Just Climate Action program'. Based on Hivos' and its partners' experiences and extensive research done by academics and practitioners in the field.

Voices for Just Climate Action (VCA) program

The VCA program intends to foster an expanded civic space where civil society voices, particularly those of vulnerable people, are heard on climate action. The VCA Programme is a lobby and advocacy initiative by the World Wide Fund for Nature (WWF) Netherlands, SouthSouthNorth (SSN), Akina Mama wa Afrika (AMwA), Slum Dwellers International (SDI), Fundación Avina, and Hivos with the support of the Dutch Ministry of Foreign Affairs.

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Photo front page

Stanley Makumba

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1. INTRODUCTION

Imagine a world where the people hit hardest by the climate crisis have a say in how to protect themselves from it. Imagine if youth, Indigenous Peoples, women, and other priority rights holders most affected by the climate crisis had the resources to implement their climate solutions; solutions that have proved to be the most effective as they meet actual needs, suit the local context, and yield greater and more inclusive social and economic returns. The world we are imagining is one governed by climate justice.

Although ever more governments and stakeholders understand the importance of shifting resources, leadership and agency to the local level, the world pictured above is still far from reach.

There has been some progress in recent years. The Principles for Locally Led Adaptation¹ have been endorsed by a growing group of bilateral development aid agencies and governments, including the United States, the United Kingdom, the Netherlands, Ireland, Denmark and Sweden, as well as some multilateral funding agencies such as the United Nations Development Programme, the International Fund for Agricultural Development, the Adaptation Fund, the Climate Investment Fund and the Global Environment Facility. These principles call for inclusive climate action and for specific finance for local actors to invest in their adaptation priorities. Moreover, the Least Developed Countries (LDCs) are leading a call for localizing international climate adaptation finance and have committed to deliver 70% of their climate finance to the local level². Nepal has set an 80% commitment for local-level climate finance spending³, and Kenya has set a 70% commitment to be spent at ward level and 20% at county level in its County Climate Change Funds⁴.

In addition, at COP26 the Task Force on Climate Finance recommended similar principles⁵ asking that: *"Climate finance should clearly respond to the self-defined needs and priorities of recipients, including those countries and communities with the greatest immediate needs and the lowest capacities to access funds,(...)"*.

However, despite all these declarations, decision making power and agency is still predominantly held at the national and international level, often failing to (financially) support local actors to lead climate action. This needs to change.

This paper outlines why money should flow to the local level by showcasing good examples of locally led climate solutions. It provides examples of several existing mechanisms that have been designed to increase participation, transparency and accountability as potential vehicles to channel much needed resources to these kinds of solutions. Based on Hivos' and its partners' experience and the extensive research done by academics and practitioners in the field, the paper recommends ways for governments, international donors and funds, as well as intermediaries, to act upon the commitments made to increase and secure the effective flow of financial resources to the local level.

¹ <https://www.iied.org/principles-for-locally-led-adaptation>

² *Scaling up locally led adaptation*. IIED (2021). <https://pubs.iied.org/sites/default/files/pdfs/2022-03/20816IIED.pdf>

³ *Climate Change Financing Framework*. Ministry of Finance Government of Nepal (2017).

https://mof.gov.np/uploads/document/file/CCFF_FINAL_Web_20180222050438.pdf

⁴ *Delivering climate finance at the local level to support adaptation: experiences of County Climate Change Funds in Kenya*. ADA consortium (2019).

<https://adaconsortium.org/delivering-climate-finance-at-the-local-level-to-support-adaptation/>

⁵ *Principles and Recommendation on Access to Climate Finance*. UK Government (2021). <https://ukcop26.org/wp-content/uploads/2021/11/Principles-and-Recommendations-on-Access-to-Climate-Finance.pdf>

2. WHY SHOULD MORE MONEY FLOW TO LOCALLY LED CLIMATE SOLUTIONS?

Local actors, and collaborations between them, are indispensable in the global fight against the climate crisis. Local actors usually approach climate solutions in more holistic ways bringing in local expertise and knowledge and thus taking local context into account. These more holistic and context specific solutions often generate higher social, environmental and economic returns and – if participation approaches are designed effectively – can bring more equitable results, also benefiting the most marginalized groups.⁶

A 2019 study in Kenya found that through locally led climate solutions, livelihoods, incomes and food security of the whole community were improved, conflicts reduced and multisectoral collaboration and the capacity and responsiveness of local institutions were strengthened.⁷

There are plenty of examples in which local communities have designed and are implementing their own solutions to mitigate the climate crisis and/or adapt to its consequences. In fact, it is often youth, women, Indigenous Peoples and other priority rights holders who are most affected by the climate crisis that are at the forefront of climate action – whether these relate to using traditional knowledge for conservation, modifying practices in response to climate hazards or coming together as community to create innovative ideas.

The following selection highlights locally led climate solutions implemented in different cultural contexts.

2.1 MANAGING WATER AROUND THE MASUE ROCK - KENYA

Makueni County, in the South East of Kenya, has been struggling with increased precipitation on the one hand and severe droughts on the other.⁸ Especially around the Masue rock, rain used to cause heavy flooding and destroy community homesteads and livelihoods during rainy seasons, while during the dry season the community had to walk for more than five kilometers every day in search of water and did not have enough water for crops or livestock.

To address this issue the residents formed a community committee to discuss possible interventions that would allow them to harvest the water after a heavy rainy season and store it for future use. The community decided

⁶ <https://www.wri.org/insights/5-benefits-local-action-climate-resilience>

⁷ *Delivering climate finance at the local level to support adaptation: experiences of Country Climate Change Funds in Kenya*. ADA consortium (2019). <https://www.iied.org/sites/default/files/pdfs/migrate/G04415.pdf>

⁸ *Climate Risk Profile Makueni County*. MoALF (2016). https://cgspace.cgiar.org/bitstream/handle/10568/80457/Makueni_Climate%20Risk%20Profile.pdf

to build a wall around the rock as a way to harvest and hold the water and approached the county government of Makueni for support.⁹

Makueni County is one of the few counties that has developed a Climate Change Action Plan and has been able to access funds through the County Climate Change Fund Mechanisms (CCCF). One percent of the Climate Change Department budget has been set aside for financing projects identified by communities.

With the help of the County Technical Committee, the community developed and submitted a proposal to the County Climate Change Department. After its approval, the community formed the Ward County Climate Change Planning Committee (WCCCCPC) with diverse representation from community members including youth, women, Indigenous Peoples and others. They conducted community hearings to consult the wider community on the governance structure and roll out of the project. This resulted in the formation of a small governance team that is elected every two years and oversees the implementation of this not for profit project, including using funds from the sale of the water to maintain the infrastructure, buy purifying materials and subsidize the water.

The initiative has contributed to food security by ensuring that the community now has enough water for irrigation and livestock throughout the year. With water accessible within a radius of less than a kilometer the burden of carrying water has fallen away, freeing up significant amounts of time for women and children and resulting in an increase in school attendance.

The implementation of the CCCF has been proven to work at the local level but it needs scaling up to other wards and counties. For this to happen, any kind of funding needs to help build not only the technical capacity of county staff but also of community members to ensure that communities have the capacity to develop and implement projects like the Masue Rock.



People waiting in line at a water point in Makueni County, Kenya. Photo: ADA Consortium

⁹ See video by Adaptation Consortium showing how the County Climate Change Fund mechanism is building communities resilience and reducing their vulnerabilities to a changing climate. <https://www.youtube.com/watch?v=kuTQkg4N30>

2.2 IMPROVING FOOD SECURITY – ZAMBIA

“We aren’t talking about problems, we’re showing you that we have our own solutions.”

Lucy Dende

Zambia is being hit hard by the climate crisis. It is causing more frequent and severe droughts, flash floods and changes in the growing season. One of the reasons Zambia is so vulnerable to the impacts of the climate crisis – particularly droughts – is that 300,000 hectares of trees are being lost to deforestation each year for charcoal production.

The agriculture sector has been one of the hardest hit. This sector supports the livelihoods of half the country’s population, especially women, who make up more than 55% of the sector. Therefore the impacts of the climate crisis are most felt by women and other already marginalized groups.

Lucy Dende, a 40-year-old smallholder farmer in Chongwe District, Lusaka Province, has felt the impact of climate change first hand and decided to take matters into her own hands. After an accident in 2007 that left her quadriplegic, she moved out of the city to rural Chongwe in 2018 where she hoped to improve her overall health by growing her own food on a one-hectare farm.



Lucy Dende in her garden in Chongwe District, Lusaka Province, Zambia. Photo: Stanley Makumba

When Lucy found that a lethal combination of severe drought and overuse of chemical fertilizers had ruined the soil and made it almost impossible to grow anything, she decided to bring together other women in her community facing similar challenges on their land and formed the Kasenga Tiyyende Pasogolo Women’s Club.

The club became a space for women to improve their farming yields together. Helped by other local organizations, the club facilitated training in traditional, organic farming methods. With the shift to organic farming, Lucy's maize yield increased and she saw a marked improvement in the quality of her soil.

Lucy and the other women have diversified their crops to grow indigenous varieties that are more drought tolerant, thereby increasing food security. Lucy bought more land in the Kasenga area and is using her initial one-hectare farm as a demo plot to teach organic farming to others, and for the club to produce its own organic fertilizers. Organic fertilizers offer an inexpensive way to balance the soil ecosystem, which has helped the club members produce healthier food.

Despite gender inequality, discrimination, gender-based violence and sexual abuse preventing many women from participating in club meetings and activities, they are determined to scale up their activities and advocate for change. At the same time as adapting to the impacts of the climate crisis, they have also set their sights on helping to tackle charcoal production as the main cause for deforestation by finding alternative cooking fuels.

However, their main challenge remains easy access to long term and flexible funding to help change livelihoods on a bigger scale. "We aren't talking about problems, we're showing you that we have our own solutions, but we need help implementing them," Lucy says.¹⁰

2.3 TRADITIONAL RULES TO PROTECT NATURE - INDONESIA

Indonesia is prone to extreme weather events. Shifting rainy seasons and long unpredictable dry spells have a negative impact on the agriculture sector, causing crop failure and thereby threatening food security and health across the country. Combined with deforestation, these extreme weather events can also cause landslides, putting already vulnerable communities in even more danger.

Another pressing threat for Indonesia is rising sea levels. Together with unsustainable practices, like illegal fish bombing, rising sea levels are causing irreversible harm to the precious seashore ecosystem, including the coral reefs and their vast biodiversity – something that Indonesian fishing communities heavily rely on.

To combat these challenges, local actors are tirelessly defending their coastlines and forests, diversifying their sources of food, and protecting livelihoods to safeguard their future - and nature's.

One example can be found in a village called Dikesare, on the island of Lembata in East Nusa Tenggara. Led by community leader Estakius Rafael Suban, the Indigenous People of Lembata implement the local tradition of 'Muro' – a practice designed to protect marine life by preventing fishing activities within certain periods of time and areas. The local seashore is divided into three zones: a core zone (no fishing), a buffer zone (restricted fishing) and a utilization zone. Muro is also a social agreement in which the entire community participates in conservation practices that are rooted in local beliefs and traditional knowledge.

It is transmitted across generations and starts from the important awareness that the sea and all life in it are a common good that needs to be managed and protected for the common interest. It has therefore been fundamental to protecting the environment and livelihoods, promoting the traditional culture while helping local communities to become more resilient to disasters.

¹⁰ <https://hivos.org/story/women-take-on-climate-change-in-zambia/>



Estakius Rafael Suban, Lembata island in East Nusa Tenggara, Indonesia. Photo: Sanny Febrian

More specifically, the community prevents overfishing to maintain food supplies in times of crisis. They no longer catch protected animals, and do not damage important ecosystems. Previously damaged areas are restored by planting mangroves and constructing bioreeftek (artificial coral reefs). This has already led to an increase of turtle species and fish populations and has had positive effects on tourism and social cohesion between community members.

The community has worked with an NGO, Barakat, to engage local authorities to devise and enforce rules to protect the environment. In addition, the local authority has now issued a decree in which they forbid fishing by law at certain times of the year.

It has also gained financial support from several funds and continues to be developed through replication and upscaling in other regions in Indonesia. To maintain Muro and scale it, public climate finance needs to reach locally led climate solutions based on indigenous knowledge.

3. RECOMMENDATIONS TO PUT JUSTICE AT THE HEART OF CLIMATE FINANCE

RECOMMENDATION 1: ENSURE DECISION MAKING IS DRIVEN BY LOCAL COMMUNITIES, INCLUDING PRIORITY RIGHTS HOLDERS

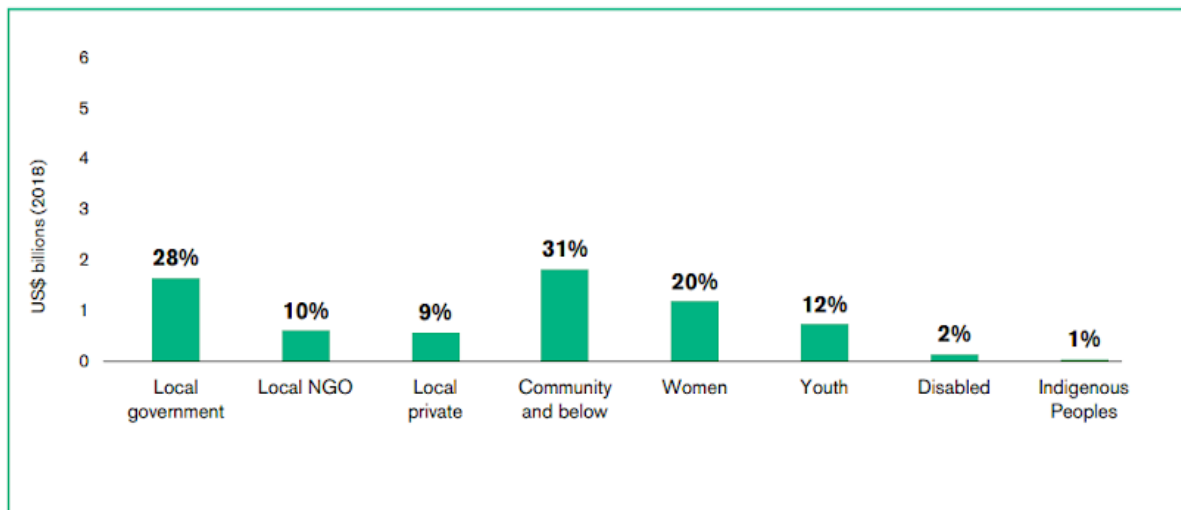
A 2021 study found that only 46% of finance committed from international sources for climate adaptation in Least Developed Countries was intended to give agency to local actors, and that there was often little evidence of local actors fully leading climate solutions. Local non-state actors played a role in the decision making processes of less than 10% of the verified adaptation finance. This inequitable distribution in agency was even graver with regards to priority rights holders like Indigenous Peoples or peoples living with disabilities, who were often left out of engaging in any decisions.¹¹

A critical part of ensuring resources are flowing to locally led climate solutions is ensuring that governance mechanisms allow communities, and specifically priority rights holders, to have a seat at the decision-making table at the international, national and local level.

Furthermore, there is very little transparency when it comes to funding flows – and without transparency there cannot be accountability.

¹¹ *Follow the money: tracking Least Developed Countries' adaptation finance to the local level*. IIED (2021) <https://pubs.iied.org/20326iied>

Local actors who are intended to have some level of agency over decisions in highly localized verified LDC primary adaptation finance (2014-2018).



Source: *Follow the money: tracking Least Developed Countries' adaptation finance to the local level*. IIED (2021). <https://www.iied.org/20326iied>

Create local ownership of climate solutions

- Ensure participatory funding and oversight structures that enable civil society organizations, local institutions and communities, including priority rights holders, to have decision making power over how adaptation and mitigation actions are defined, prioritized, designed and implemented; how progress is monitored; and how success is evaluated.
- Inform adaptation and mitigation decisions through a combination of local, Indigenous and scientific knowledge that can enable resilience under a range of future climate scenarios.
- Integrate addressing structural inequalities faced by women, youth, children, people living with disabilities and displaced people, Indigenous Peoples and marginalized ethnic groups and that are root causes of vulnerability into the core of the design and implementation of adaptation and mitigation programs.

Increase transparency, accountability and inclusion in funding institutions

- Ensure transparency of funding flows and downward accountability to civil society organizations, including those representing vulnerable communities and priority rights holders.

RECOMMENDATION 2: INCREASE CLIMATE FINANCE DESTINED FOR THE LOCAL LEVEL

The current commitments on climate finance need to increase by at least 590% if we are to abate the climate crisis. This equates to approximately USD 4.35 trillion annually by 2030.¹²

However, since the estimated adaptation cost in developing countries is about five to ten times greater than the current public adaptation finance flows, there is an urgent need to focus on closing this adaptation finance gap rapidly to benefit the most vulnerable countries and communities that are being neglected by current climate finance flows.

In 2017–18, only 20.5 percent of bilateral climate finance went to Least Developed Countries (LDCs) and three percent to Small Island Developing States (SIDS), often in the form of loans and other non-grant instruments, therefore risking plunging these already vulnerable countries further into debt.¹³ It has also been estimated that less than one in 10 dollars of the current meager climate finance actually flowed to the local level.¹⁴

The following actions could be taken by governments, multilateral development banks, global funds and intermediaries to increase the quantity and improve the quality of financial flows for locally led climate solutions:

Set and track targets for climate finance flowing to the local level

- Set concrete targets for funds that need to reach climate solutions driven by local communities in the most vulnerable countries, with the inclusion of priority rights holders like youth, Indigenous Peoples, migrants and women, and prioritize these funding flows.
- Develop and report on specific indicators for financial reporting systems that capture financial flows that are received by local communities, and specifically priority rights holders.

Provide specific types of funding for locally led climate solutions

- Move from a short-term and ad hoc project approach to a long-term, patient and flexible programmatic approach with a 10 year horizon.
- Include skills- and knowledge-building and participatory planning as part of the funding.
- Acknowledge that many adaptation measures are not commercial but deliver on public goods. Provide grants for locally led climate solutions, rather than concessional loans, to prevent moving communities and countries into ever greater debt.

¹² Global Landscape of Climate Finance 2021. CPI (2021). <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/>

¹³ *Climate Finance Shadow Report 2020*. Oxfam (2020). <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf>

¹⁴ *Delivering real change: getting international climate finance to the local level*. IIED (2017). <https://pubs.iied.org/10178iied>

RECOMMENDATION 3: ENSURE LOCAL COMMUNITIES CAN EASILY ACCESS CLIMATE FINANCE

The current climate finance architecture has complex requirements and rules, including the requirement to prove the climate additionality of investments. This means that most climate finance flows through international intermediaries that have decades of experience and the resources and consultants to handle these complex bureaucracies. They are often very far removed from local realities. They hold a lot of power¹⁵ and their KPIs favor large projects that bring co-financing. Only 19% of programmed climate finance in the Green Climate Fund for example, has gone to National and Regional Accredited Entities, while the other 81% was channeled through international intermediaries, with four of them receiving the bulk of the money (European Bank for Reconstruction and Development, United Nations Development Programme, World Bank and Asian Development Bank).¹⁶

Rather than expecting local communities to fit with the current top down thinking, this architecture needs to be fully transformed.

Ensure national not international financing mechanisms/platforms are in the driving seat

- Ensure international intermediaries have to work with in-country financing mechanisms and platforms that lead and own activity-building capabilities and skills needed to sustain the work. In the long term, international organizations such as the World Bank should work towards making themselves redundant as intermediaries.
- Use existing local structures to channel finance and ensure that these structures are participatory, transparent and accountable.
- Ensure that decisions are devolved to the lowest level possible.

Enhance direct access

- Design and implement simplified access and approval processes or frameworks for local actors (including communities and priority rights holders) who have weaker financial management systems or limited track records in managing climate and development funds.

¹⁵ *Role of Intermediaries in Shaping Climate Finance in Developing Countries – Lessons for the Green Climate Fund*. MDPI (2020). <https://www.mdpi.com/2071-1050/12/14/5507/pdf>

¹⁶ <https://climatefundsupdate.org/wp-content/uploads/2021/03/HBS-10Things2021-8-1024x512.png>

TEXTBOX 1: Launching a new initiative to increase climate finance to the local level

BASE – BUILDING APPROACHES TO FUND LOCAL SOLUTIONS WITH CLIMATE EVIDENCE

BASE is a task force designed to tackle one of the barriers that prevents climate funds from reaching the local level: building a climate rationale. Currently, developing a climate rationale requires resources, data and time that do not match the capacities and urgency of local climate action. BASE aims to pragmatically tackle this problem by bringing together stakeholders and initiatives working on a just transition and climate finance, and unpack the apparent dichotomy that exists regarding building a climate rationale and making funds accessible.

BASE will implement grant making schemes that generate evidence of climate impact and herewith seeks to create a proof of concept to be used in advocacy for changing climate finance practices for local solutions. BASE will pursue a threefold strategy:

1) Fund local solutions. BASE will identify a pool of grantees among the on-the ground network of its members and their climate solutions whose underfunded climate solutions have potential to scale. The funding schemes will be designed to provide evidence of climate impact, while minimizing the cost & time of putting together a climate rationale.

2) Learn about climate evidence. BASE will engage with researchers and local communities to understand how to make funding practices more feasible to implement and effective in ensuring the climate impact. It will promote learning at all stages, ensuring that the process of applying to grants, as well as implementing and assessing results becomes a rich learning exercise about climate impacts, enhancing narratives and the design of solutions. BASE will also promote learning about the process of grant making per se, generating evidence that can inform climate funders.

3) Advocacy for scale. BASE will engage with public and private finance mechanisms to share lessons learned and evidence that could support changes to climate financing practices for local communities, as well as explore concrete strategies to scale the funded solutions through access to traditional finance. It will also engage with national governments to ensure alignment with national policies and plans.

BASE is composed of an assembly of partners (currently Fundación Avina, Forest Trends, GFLAC, Hivos, Pawanka Fund, Reos Partners, United Nations University and the support from Skoll Foundation) and Associated Initiatives (currently Voices for Just Climate Action and Impulsouth) that will collaborate in deploying funds for locally led climate solutions. BASE will be officially launched at COP27.

4. PROMISING FUNDING MECHANISMS FOR LOCALLY LED CLIMATE SOLUTIONS

The following examples are just a small selection of existing mechanisms that have been designed to effectively channel international climate finance to local communities, including priority rights holders, to ensure they can develop and implement locally led climate solutions. It is important going forwards that transparency, accountability and effective participation of different voices become integral in any funding mechanism.

FIGURE 1: Reimagining funding structures that enable effective and just climate action on the local level

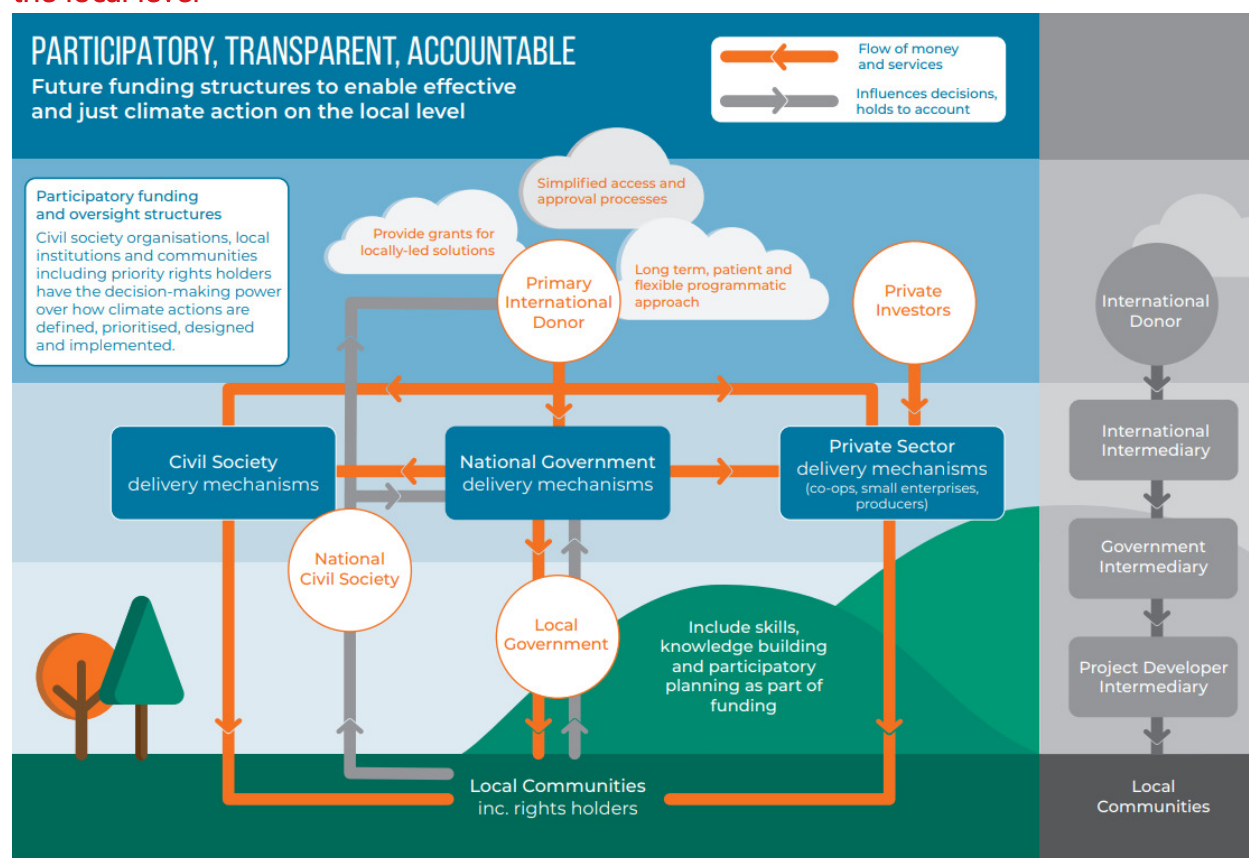


Figure adapted from IIED 'Business unusual: a reimagined climate finance landscape'¹.

To illustrate funding flows and upward accountability, the figure above - adapted from IIED 'Business unusual: a reimagined climate finance landscape' - shows a new way of channeling finance to the local level. It shows - on the right - how money currently flows - through several intermediaries - and how it could flow - by using existing civil society-, national- and private sector delivery mechanisms. The upward accountability from one actor to another to secure inclusive decision-making and participatory funding structures is illustrated with grey arrows.

4.1 FLLoCA – FROM INTERNATIONAL FUND TO LOCAL GOVERNMENT

Kenya's response to the climate crisis is guided by the Climate Change Act, which provides a regulatory framework, a mechanism and measures to achieve low carbon climate development. Among its various provisions, the Act has established a National Climate Change Fund, held at the National Treasury, designed to receive climate finance from national and international sources. It has mandated county governments to spearhead climate action, but the absence of any external oversight structure that monitors the disbursement and operationalisation of the fund means that it currently lacks accountability.

Kenya's devolved government system means that county governments are well positioned to spearhead action on climate change, as they have the power to formulate policies, enact laws and establish institutions for climate action. Through the County Climate Change Fund Mechanism (CCCFM), county governments are putting legal frameworks in place to establish County Climate Change Funds (CCCFs) held at the county level. This enables them to access and use climate finance from different sources to build community resilience and reduce vulnerabilities to a changing climate in a more coordinated way, with an emphasis on local climate actions and innovations.

The CCCF Mechanism is being scaled by the National Treasury through the 10-year Financing Locally Led Climate Action programme (FLLoCA) that has received funding from international sources. FLLoCA is expanding the development and capitalization of County Climate Change Funds (CCCFs) in all 47 counties to improve the implementation of priority climate actions and, thus, increase communities' resilience to the impacts of the climate crisis.

It aims to strengthen county and national governments' capacity (planning, budgeting, implementation coordination, monitoring and reporting) to manage climate risk in order to deliver locally led climate resilience actions in a way that promotes collaborative partnerships between communities, national and county governments.

Each ward has a climate change governance structure with a community planning committee as the central pillar. Its members are elected and vetted by the community and represent the various locations, social groups and livelihood systems in the ward, including women, youth and other marginalized groups. The members are appointed and their names announced as an official institution that leads resilience planning and implementation at the community level.

The community committee carries out various duties. These include consulting with the communities to analyze their resilience to present and future climate risks, and using the findings to prioritize investments that will be funded by the County Climate Change Fund allocated to their ward. The finance available for the ward is usually communicated openly, so the community is able to plan with the finance available for their preferred climate intervention.

After the community identifies and prioritizes the climate interventions they would like in their wards, the county technical officers advise on the viability and scale of the projects in view of the funding available and other technical issues. They support the community planning committee to develop proposals for the interventions, which are submitted to the county level for procurement purposes, and their implementation is financed from the county Climate Change Fund.

4.2 THE INDONESIAN VILLAGE FUND – USING EXISTING LOCAL FINANCE DISTRIBUTION STRUCTURES

Indonesia's central government has committed to improve each region's ability to finance its own development by increasing the amount of fiscal transfer to the regional level.

In 2015 the government set up the Village Fund Programme (VF) to support villages as unique and diverse units of society, to eradicate poverty and increase equality and equity. The VF is governed by the districts and is one of the most significant sources of revenue for villages in Indonesia.¹⁷ Funds disbursed through this important mechanism grew from IDR20.76 trillion (USD1.4 billion) in 2015, to IDR70 trillion (USD4.9 billion) in 2019.¹⁸

To access the VF, village governments prepare Village Development Plans every five years. These plans are based on issues raised in the Village Development Planning Discussion Forum (Musyawarah Rencana Pembangunan Desa) and that are in line with Village Fund Allocation Priorities (community empowerment, resource management, economic development, and/or environmental protection). The plans, and associated budgets, are submitted to the district government, which, in turn, submits the consolidated budget request to the central government to obtain the fund allocation.¹⁹

Community participation through the Village Development Planning Discussion Forum is supposed to be one of the key pillars of the Village Fund to ensure legitimacy of decisions, efficient budgeting, accountability and quality policies or regulations. Every villager has the right to participate in the Forum. However, priority rights holders are often absent from these Forums.

In 2019, the Ministry of National Development Planning found that community participation was severely limited by a lack of knowledge about the issues at hand and how to facilitate effective processes among local government representatives and the wider community. It was recommended that strengthening these processes with the help of NGOs, at the same time as increasing public knowledge, would help to improve participation in the policy-making process and improve the quality of decisions, while also decreasing the potential for corruption.²⁰

Lack of expertise and knowledge on the village level could also explain why climate action has received the least funding from the Village Funds (0.04-0.09% from 2018-2020)²¹ compared to all other Sustainable Development Goals. Another factor could be that the current list of example activities issued by the

¹⁷ *Indonesia's Village Fund: An Important Lever for Better Land Use and Economic Growth at the Local Level*. CPI (2018).

https://www.climatepolicyinitiative.org/wp-content/uploads/2018/04/Indonesia%E2%80%99s-Village-Fund_-An-Important-Lever-for-Better-Land-Use-and-Economic-Growth-at-the-Local-Level.pdf

¹⁸ *The Village Fund Program in Indonesia: Measuring the Effectiveness and Alignment to Sustainable Development Goals*. Sustainability (2021). <https://doi.org/10.3390/su132112294>

¹⁹ *Indonesia's Village Fund: An Important Lever for Better Land Use and Economic Growth at the Local Level*. CPI (2018).

https://www.climatepolicyinitiative.org/wp-content/uploads/2018/04/Indonesia%E2%80%99s-Village-Fund_-An-Important-Lever-for-Better-Land-Use-and-Economic-Growth-at-the-Local-Level.pdf

²⁰ *Improving the Effectiveness of Community Participation in Village Fund Program*. Ministry of National Development Planning/Bappenas – Indonesia (2019).

²¹ *The Village Fund Program in Indonesia: Measuring the Effectiveness and Alignment to Sustainable Development Goals*. Sustainability (2021). <https://doi.org/10.3390/su132112294>

government is often interpreted literally by villages. Changing this to list only prohibited activities for Village Funds might provide greater freedom for villages to design the most needed or best-suited climate programs in their own village.²²

Greater guidance by the district or central government could furthermore support village governments in prioritizing much needed climate change adaptation and mitigation projects. The Village and Community Empowerment Office, as the main village authority that provides facilitation and support to village development planning and program implementation, could not only provide more substantive technical assistance in planning, budgeting, and financial reporting, but also take a greater role in guiding and facilitating the creation of more village programs on climate-change related activities.

Through these reforms Village Funds could become an important mechanism to channel climate finance from the international to the local level.

4.5 PODAALI – PRIORITY RIGHTS HOLDERS CHANNELING INTERNATIONAL MONEY FLOWS TO THE LOCAL LEVEL

Podáali, in the language of the Baniwa people of the Aruak linguistic branch, means “to give without wanting to receive anything in return”. Podaali is an Indigenous fund in the Brazilian Amazon that facilitates self-determination. It was established by the Amazon Indigenous Movement, the Coordination of Indigenous Organizations of the Brazilian Amazon (COIAB) and its partners in order to promote territorial protection and conservation and the biodiversity of Indigenous lands in the Amazon. The governance is exclusively composed of Indigenous representatives. The Deliberative Council is the sovereign body of Podaali and is composed of 11 indigenous leaders, from the representation of nine Amazonian states.²³ All processes are completely transparent. For example all documents and donor agreements are published on their website.

The fund is structured into eight thematic areas, two of which are ‘Indigenous territorial and environmental management and protection’ and ‘sustainable economy and food sovereignty.’

Podaali was created with the purpose of financially supporting life plans and projects run by Indigenous Peoples, communities and organizations with social and public relevance, as Indigenous associations find it hard or impossible to get support from large funding agencies. Recent government policies towards Indigenous Peoples and other peoples and traditional communities have made it even harder for community funds linked to social movements to access national government funding.²⁴ Podaali is supported by - among others - the Embassy of Norway and the Tamalpais Trust. Community Funds like Podaali could play an important role channeling funds to local communities to let them determine their own climate agendas and strategies for their territories.

²² *Indonesia's Village Fund: An Important Lever for Better Land Use and Economic Growth at the Local Level*. CPI (2018). https://www.climatepolicyinitiative.org/wp-content/uploads/2018/04/Indonesia%E2%80%99s-Village-Fund_-An-Important-Lever-for-Better-Land-Use-and-Economic-Growth-at-the-Local-Level.pdf

²³ <https://fundopodaali.org.br/sobre/>

²⁴ *Community Funds in the Brazilian Amazon*. Global Landscapes Forum (2021). https://www.globallandscapesforum.org/wp-content/uploads/2021/09/GLF-Amaozonia-White-Paper-Community-funds-in-the-Brazilian-Amazon_EN.pdf

5. CONCLUSION

The climate crisis is hitting home in ever more unprecedented ways. Power resides with those who decide where resources will flow to tackle this crisis and adapt to its impact. Despite a lot of good rhetoric and intentions, most climate finance flows still lack transparency – they are decided upon in bilateral or multilateral agencies and flow through international intermediary organizations such as the World Bank that are far removed from expertise and needs on the ground. This is why only an estimated 10% reaches context specific solutions on the local level that are effective and owned by those whose lives they impact.

There are mechanisms that aim to effectively create capacity, and put local communities (including priority rights holders) into the driving seat in order to channel money to where these communities think it can be of most use. Whether these are mechanisms that use existing democratic governance and traditional structures like the Village Fund in Indonesia or the Climate Change Fund in Kenya, or whether they are mechanisms set up by civil society like the Indigenous Fund Podaali in the Amazon. While some of them need further reform or fine tuning, they provide great potential to increase money flows to locally led climate solutions.

The key for any future funding architecture is that decisions are made as close to the ground as possible; that they ensure full transparency, effective participation of communities and civil society organizations; and that they have mechanisms to hold decision makers to account. Making this a reality will require commitment by international donors and national governments to increase finances flowing to the local level, as well as a recognition of the critical role that both (local) civil society organizations and local government can and should play. Moreover, it also requires a paradigm shift that drives international and national stakeholders to change norms of representation and redistribution so that the agency and priorities of groups vulnerable to climate change are at the heart of decision-making. In short, there must be political will to share and redistribute power.

This is the only way to ensure that those experiencing the worst effects of the climate crisis have the means to protect themselves and build their resilience.

As Albert Einstein said: "We can't solve problems by using the same kind of thinking we used when we created them."

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