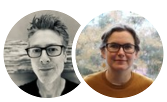
Climate change Economics

The G20 climate funds review must help finance reach the local level

The G20 is examining ways to improve the impact of the world's multilateral climate funds, aiming to make it easier for global South countries to access finance for climate action. Paul Mitchell and Pia Treichel make four recommendations to improve the system and increase accessibility for the communities on the front lines of the climate crisis.



Insight by Paul Mitchell and Pia Treichel
Paul Mitchell is a principal researcher and Pia Treichel is a senior researcher in IIED's Climate Change research group

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Climate-smart village in Ilagan, Isabela, Philippines (Photo: Alliance of Bioversity International and CIAT, via Flickr, CC BY-NC-SA 2.0)

During Brazil's presidency, the G20 (which brings together the world's largest economies and is the main forum for international economic cooperation) is reviewing the operations of the four biggest dedicated climate funds – the Green Climate Fund (GCF), the Adaptation Fund, the Global Environment Facility (GEF), and the Climate Investment Funds (CIF).

As the impacts of climate change intensify, it is critical to scale effective adaptation measures – particularly at the local level in countries highly vulnerable to climate impacts, especially the least developed countries (LDCs) and Small Island Developing States (SIDS). When decisions on adaptation are made by communities themselves, local-level climate risks are managed more effectively, and outcomes are more sustainable.

However, the flow of finance to the local level remains worryingly low. IIED research found that between 2003 and 2016, less than 10% of climate finance explicitly targeted the local level. The Adaptation Gap Report 2023 found that 17% of adaptation finance across 2017-21 aimed to build local resilience.

This lack of adequate funding poses a significant barrier to addressing the impacts of climate change for those on the front lines of climate impacts.

We need to see increased finance flows for adaptation in general and to the local level in particular. While the poorest and most climate-vulnerable communities are already spending their own resources on climate action, they need scaled-up support and long-term, predictable and patient finance to manage impacts that can no longer be avoided.

International public climate finance remains the most viable source of support for local-level adaptation for the foreseeable future.

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Publication, 01 September 2019

Key obstacles

Despite growing needs, climate finance remains inaccessible to communities. Key blockers include:

- Accessing climate finance is difficult – the architecture is not well designed for accessibility, with bureaucratic accreditation processes, complex documentation requirements and protracted approval processes. This makes funding essentially inaccessible to local actors.
- High burden of proof – the requirement for a strong 'climate rationale' supported by rigorous local climate data deters proposals that target the most vulnerable communities and places where such data are scarce and challenges are pervasive.
- Too much scale and too little scope – the available funding also tends to be too large for local actors to manage. This encourages aggregation and leads to the inclusion of intermediaries that can have their own agenda and impose additional barriers to access. These intermediaries also take a significant percentage of the funding for their operational overheads, further reducing resources for communities most in need.

- Projectised approaches – all the dedicated climate funds operate on a project-based model. Projects are, inevitably, short-term and often unsustainable.

These challenges mean that community initiatives are often stuck in a perennial pilot phase – limping from small grant to small grant administered by intermediaries. This limits the possibility of scaling and frustrates efforts at longer-term planning.

G20 to the rescue?

While the climate funds have made moves to reduce bureaucracy and increase accessibility, the results have not yet substantially increased adaptation finance reaching the local level. The G20 review, while covering the full scope of climate finance provided by the funds, should pay special attention to (the lack of) flows to the local level.

As an input to the review, we propose four clear actions that the climate funds should take:

First, there needs to be a fundamental shift in mindset to recognise the pivotal role of local actors in adaptation. This should include a clear commitment from the funds to prioritise local-level action and integrate it into their project design and approval processes.

Not all projects need to be locally led, but any project components operating within a community must be community-led and designed and implemented in alignment with the principles for locally led adaptation. More than 130 organisations and governments have endorsed the principles, including six G20 governments (plus several European Union countries) and three of the four funds included in the G20 review.

Second, there is a pressing need to reform the funds' existing architecture to improve accessibility for local stakeholders. Simplifying application processes and providing technical assistance would help communities to access funds more quickly. Developing dedicated community-accessible funding windows with supportive structures and low barriers to entry would help address the current inequities in access and distribution of climate finance. It would demonstrate a meaningful translation of the LLA principles into action.

The Adaptation Fund Board's recent approval of two dedicated locally-led adaptation windows is a good example of this.

Third, the funds should adopt flexible approaches that allow for bottom-up, devolved decision-making and community-driven solutions. Reducing the burden of evidence required for local-level initiatives and broadening the scope of what 'counts' as adaptation will help holistically address the root causes of climate vulnerability.

Fourth, the funds should commit to providing long-term, patient, predictable resources to support sustained local action. This requires moving away from short-term, project-based funding models towards more flexible and adaptable financing mechanisms.

This does not require funds to manage thousands of very small-scale contracts, which they are ill-equipped to do. Working through trusted partners at scale is one option.

The GEF's Small Grants Programme shows that this can be done well despite the dilution effect of intermediaries. Another approach would be not to reduce the size of grants for local actors but to increase their scope and duration. The funds could deploy larger, longer-term (10-plus years) grants, provided in predictable annual tranches. This would provide funding certainty as well as flexibility for actions to evolve with impacts and community changes over time.

Communities are critical actors in climate action. Impacts are felt first and worst at the local level, particularly in LDCs and SIDS. These communities need reliable access to the resources they need to implement priority adaptation actions and pursue resilient futures.

The G20 review should ensure that locally-led climate action is a central consideration in the climate funds reform process.

About the author

Paul Mitchell (paul.mitchell@iied.org) is a principal researcher in IIED's Climate Change research group

Pia Treichel (pia.treichel@iied.org) is a senior researcher in IIED's Climate Change research group

Climate finance   Local level finance   Locally led adaptation

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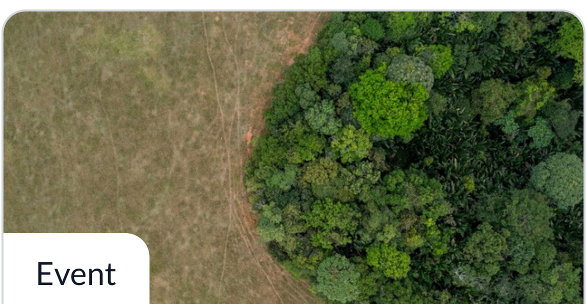

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