

Climate Finance (Re)Engineered: Ensuring Benefits Reach Indigenous and Local Communities for Fairness and Equity

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Abstract

This paper critically discusses how climate finance can be appropriately designed to ensure that benefits reach indigenous and local communities. The paper argues that indigenous and local communities are disproportionately affected by climate change. It notes that the impacts of climate change threaten the lives, livelihoods, health and well-being of indigenous and local communities due to their close relationship with nature. The paper argues that despite being adversely affected by climate change, indigenous and local communities often lack adequate financial resources to respond to climate change. Consequently, the paper posits that access to adequate climate finance for indigenous and local communities is crucial in fostering climate justice. It examines how climate finance can be (re)engineered to ensure that benefits reach indigenous and local communities for fairness and equity.

1.0 Introduction

With climate change devastating both people and planet, finance has become a crucial tool towards bolstering climate action for sustainability. The consequences of climate change including intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity are on the rise globally undermining development efforts¹. Climate change has been described as one of the greatest challenges of our time whose adverse impacts undermine the ability of all countries to achieve Sustainable Development². Confronting climate change is therefore

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¹ United Nations., 'What is Climate Change?' Available at <https://www.un.org/en/climatechange/what-is-climate-change> (Accessed on 23/10/2025)

² United Nations General Assembly., 'Transforming Our World: the 2030 Agenda for Sustainable Development.' 21 October 2015, A/RES/70/1., Available at

vital in fostering sustainability. Sustainable Development Goal (SDG) 13 under the 2030 Agenda for Sustainable Development urges all states to take urgent action to combat climate change and its impacts³.

In order to confront climate change for sustainability, countries have been urged to strengthen mitigation and adaptation efforts⁴. Climate change mitigation involves reducing greenhouse gas emissions and stopping the problem of climate change from growing⁵. Adaptation on the other hand involves learning how to live with the existing threat of climate change and protecting humanity from the future effects of climate change⁶. Finance is crucial in strengthening the response to climate change through mitigation and adaptation. For instance, it has been correctly noted that finance is needed for mitigation since large-scale investments are required in key sectors such as energy, transport, infrastructure and agriculture in order to significantly reduce greenhouse gas emissions⁷. Further, access to finance is equally important for adaptation, since significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate⁸. Access to adequate finance is therefore crucial in combating climate change since the adaptation and mitigation efforts that are necessary in enhancing global, regional, national and local responses to climate change require funding⁹.

Climate finance has therefore emerged as a tool and approach towards ensuring the availability of financial resources to tackle climate change. Climate finance refers to local

<https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> (Accessed on 23/10/2025)

³ Ibid

⁴ World Vision., 'How is the World Responding to Climate Change?' Available at https://www.worldvision.com.au/docs/default-source/school-resources/how-is-the-worldresponding-to-climate-change.pdf?sfvrsn=32021b89_0 (Accessed 23/10/2025)

⁵ Ibid

⁶ Ibid

⁷ United Nations Climate Change., 'Introduction to Climate Finance' Available at <https://unfccc.int/topics/introduction-to-climate-finance> (Accessed on 23/10/2025)

⁸ Ibid

⁹ Climate Finance., 'Climate Finance Essential for Mitigating and Adapting to Climate Change.' Available at <https://www.iberdrola.com/sustainability/what-is-climate-finance> (Accessed on 23/10/2025)

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and global financing of public and private investment that seeks to support mitigation of and adaptation to climate change¹⁰. It can also be defined as local, national or transnational financing, drawn from public, private and alternative sources of financing, that seeks to strengthen mitigation and adaptation actions towards tackling climate change¹¹. Climate finance therefore covers all financial flows addressing the causes and consequences of climate change¹². It includes grants provided by multilateral funds, market-based and concessional loans from financial institutions, sovereign green bonds issued by national governments, and resources mobilized through carbon trading and carbon taxes¹³.

It has been argued that climate finance plays a fundamental role in addressing climate change because of the large-scale investments that are needed to transition to a low-carbon global economy and to help societies build resilience and adapt to the impacts of climate change¹⁴. Despite its role in strengthening climate action, the current landscape of climate finance is inadequate with vulnerable groups and populations who are disproportionately impacted by climate change lacking access to sufficient financial resources to respond to the consequences of climate change¹⁵. Unlocking climate finance for the vulnerable is therefore necessary in ensuring equity and fairness in climate action. This paper critically discusses how climate finance can be appropriately designed to ensure that benefits reach indigenous and local communities. The paper argues that indigenous and local communities are disproportionately affected by climate change. It notes that the impacts of climate change threaten the lives, livelihoods, health and well-

¹⁰ Hong, H., Karolyi, G. A., & Scheinkman, J.A., 'Climate Finance.' *Review of Financial Studies*, Volume 33, Issue 3 (2020)

¹¹ United Nations Climate Change., 'Introduction to Climate Finance' Op Cit

¹² United Nations Environment Programme., 'Climate Finance' Available at <https://www.unep.org/topics/climate-action/climate-finance> (Accessed on 23/10/2025)

¹³ United Nations Development Programme., 'What is climate finance and why do we need more of it?' Available at <https://climatepromise.undp.org/news-and-stories/what-climate-finance-and-why-do-we-need-more-it> (Accessed on 23/10/2025)

¹⁴ Ibid

¹⁵ Ibid

being of indigenous and local communities due to their close relationship with nature. The paper argues that despite being adversely affected by climate change, indigenous and local communities often lack adequate financial resources to respond to climate change. Consequently, the paper posits that access to adequate climate finance for indigenous and local communities is crucial in fostering climate justice. It examines how climate finance can be (re)engineered to ensure that benefits reach indigenous and local communities for fairness and equity.

2.0 The Need for Climate Finance for Indigenous and Local Communities

Indigenous and local communities are disproportionately impacted by climate change. It has been argued that indigenous peoples and local communities are among the first to face the direct effects of climate change, due to their dependence upon, and close relationship, with the environment and natural resources¹⁶. Indigenous and local communities usually inhabit ecologically sensitive areas such as coastlines, mountains, and forests, making them highly vulnerable to the impacts of climate change including rising sea levels, melting glaciers and floods¹⁷. Further, climate change also threatens the cultures and livelihoods of indigenous and local communities. For example, Traditional Ecological Knowledge (TEK) associated medicines, plants, herbs and animal resources is threatened when these resources are degraded or depleted due to climate change¹⁸. Further, climatic impacts on ecosystems affect indigenous and local livelihoods including hunting and fishing and traditional rites and ceremonies conducted on sacred sites such as forests and mountains¹⁹.

¹⁶ United Nations., 'Climate Change' Available at <https://www.un.org/development/desa/indigenouspeoples/climate-change.html> (Accessed on 23/10/2025)

¹⁷ World Economic Forum., 'Land, loss and liberation: Indigenous struggles amid the climate crisis' Available at <https://www.weforum.org/stories/2024/02/indigenous-challenges-displacement-climate-change/> (Accessed on 23/10/2025)

¹⁸ The Impacts of Climate Change on Indigenous Communities., Available at <https://indigenousclimatehub.ca/effects-on-indigenous-communities/> (Accessed on 23/10/2025)

¹⁹ Ibid

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Climate change is therefore a major threat to indigenous and local communities. The vulnerability of indigenous and local communities to climate change is compounded by their reliance on traditional practices and their marginalized status, leaving them less equipped to adapt to the effects of climate change²⁰. According to the United Nations, climate change worsens the difficulties already faced by indigenous and local communities including political and economic marginalization, human rights violations including abuse of their land rights, discrimination and unemployment²¹. In addition to its environmental impacts, forced relocations and migration due to climate change also result in the erosion of traditional governance, cultural practices and religious beliefs undermining the health and well-being of indigenous and local communities²².

In light of the foregoing, confronting climate change is a matter of justice, equity and fairness for indigenous and local communities. Climate change is posing significant threats to the lives, livelihoods, and traditional knowledge of indigenous and local communities²³. As a result, it has been argued that governments must recognize the rights of indigenous peoples and local communities, provide them with direct access to climate finance and capacity building, and integrate indigenous knowledge into climate action²⁴. Access to climate finance is therefore crucial towards ensuring that indigenous and local communities are well-equipped to respond to the impacts of climate change. However, it has been observed that indigenous and local communities usually operate with limited financial resources making them ill-equipped to respond to climatic emergencies including floods and forest fires²⁵.

²⁰ World Economic Forum., 'Land, loss and liberation: Indigenous struggles amid the climate crisis' Op Cit

²¹ United Nations., 'Climate Change' Op Cit

²² World Economic Forum., 'Land, loss and liberation: Indigenous struggles amid the climate crisis' Op Cit

²³ United Nations Development Programme., 'Climate change is a matter of justice - here's why' Available at <https://climatepromise.undp.org/news-and-stories/climate-change-matter-justice-heres-why> (Accessed on 23/10/2025)

²⁴ United Nations Development Programme., 'Indigenous knowledge is crucial in the fight against climate change - here's why' Available at <https://climatepromise.undp.org/news-and-stories/indigenous-knowledge-crucial-fight-against-climate-change-heres-why> (Accessed on 23/10/2025)

²⁵ The Impacts of Climate Change on Indigenous Communities., Op Cit

Further, indigenous and local communities are often sidelined in climate finance decision-making processes²⁶. For instance, it has been pointed out that indigenous peoples and local communities are not always adequately consulted about the design and implementation of climate adaptation and mitigation projects²⁷. In addition, they do not usually receive equitable access to project benefits, or such benefits are not devised or delivered in a form that is culturally appropriate for indigenous and local communities²⁸. It has been argued that in most instances, climate finance priorities and approaches are defined by global and national interests and as a result, they do not take into account land-connected communities who are adversely impacted by climate change²⁹. As a result, there is need to redesign climate finance in order to ensure that benefits reach indigenous and local communities for fairness and equity.

3.0 Fostering Climate Finance for Indigenous and Local Communities

Climate finance plays a key role in ensuring effective responses to climate change. It has been argued that huge financial resources are needed to support countries in promoting climate change mitigation and adaptation and financing has a critical role to play in this quest³⁰. Climate finance is therefore critical in confronting climate change since sound climate action requires significant financial investments in adaptation and mitigation strategies³¹. It is vital in ensuring low-carbon and climate-resilient development where

²⁶ Green Climate Fund., 'Indigenous Peoples' Available at <https://www.greenclimate.fund/projects/sustainability-inclusion/ip> (Accessed on 23/10/2025)

²⁷ Ibid

²⁸ Ibid

²⁹ How Indigenous Peoples and Local Communities are Shaping the Future of Climate Funding., Available at <https://www.fordfoundation.org/news-and-stories/stories/how-indigenous-peoples-and-local-communities-are-shaping-the-future-of-climate-funding/> (Accessed on 23/10/2025)

³⁰ Climate Finance Leadership Initiative., 'Financing Sustainable Infrastructure in Emerging Markets.' Available at https://www.bloomberg.com/cfli/mobilizing-investment/?utm_medium=cpc_search&utm_campaign=NB_ENG_DSAXX_DSAXXXXXXXXXXX_EVG_XXX_XXX_Y0469_EN_EN_X_BLOM_GO_SE_XXX_XXXXXXXXXX&gclid=Cj0KCQjwz8emBhDrARIsAN_NjS4wepzVumLzWNAJWjkAvoejDfVwY4SO1nlqXkIkvcSnv0stXd-4H8aAiAhEALw_wcB&gclid=aw.ds (Accessed on 24/10/2025)

³¹ United Nations Development Programme., 'What is climate finance and why do we need more of it?' Op Cit

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greenhouse gas emissions are significantly reduced across all sectors³². Enhancing access to climate finance is therefore important in strengthening climate action.

Access to climate finance is particularly important for indigenous and local communities. Due to their close relationship with nature, indigenous peoples and local communities are disproportionately impacted by climate change³³. The consequences of climate change affect the lives, livelihoods, health and cultural practices of indigenous and local communities³⁴. Further, due to historical marginalization, indigenous and local communities also lack the capacity and financial resources required to buffer themselves and recover from the impacts of climate change³⁵. Ensuring access to climate finance for indigenous and local communities is therefore a matter of justice, equity and fairness.

It is therefore imperative to unlock climate finance for indigenous and local communities who are usually excluded from decision-making processes while also not receiving adequate benefits from climate projects in their lands and territories³⁶. Consequently, it is important to fully and effectively engage with indigenous peoples and local communities in the design, development and implementation of climate finance activities in order to uphold their rights, respect their cultural needs and address their unique vulnerabilities to climate change and its impacts³⁷. Indigenous and local communities possess unique knowledge and practices that is key in combating climate change³⁸. The practices of indigenous peoples and local communities are rooted in harmony with nature and offer effective climate solutions, such as sustainable agriculture techniques, forest management and climate-resilient water management³⁹. It has been argued that

³² United Nations Climate Change., 'Introduction to Climate Finance' Op Cit

³³ United Nations., 'Climate Change' Op Cit

³⁴ Ibid

³⁵ Ibid

³⁶ Green Climate Fund., 'Indigenous Peoples' Op Cit

³⁷ Ibid

³⁸ United Nations Development Programme., 'Indigenous knowledge is crucial in the fight against climate change – here's why' Op Cit

³⁹ Ibid

indigenous practices have minimal impact on the environment and are highly adaptive to ecological changes, fostering healthy and resilient ecosystems that can withstand climate change and its impacts⁴⁰. Therefore by providing adequate climate finance for indigenous and local communities, it is possible to implement adaptation and mitigation projects that promote indigenous knowledge and practices, strengthen the rights of indigenous peoples and local communities, and enhance their resilience to climate change and its impacts⁴¹.

4.0 Conclusion

Indigenous and local communities are highly vulnerable to climate change and its impacts. However, the knowledge and practices of indigenous peoples and local communities are also vital in ensuring sound management of the environment and ecosystems and building resilience to climate change and its impacts⁴². Therefore, by (re)engineering climate finance, it is possible to harness the wisdom of indigenous and local communities to confront climate change while also building their resilience through appropriate mitigation and adaptation strategies⁴³. Enhancing access to climate finance for indigenous and local communities is therefore important for justice, equity and fairness.

⁴⁰ Ibid

⁴¹ Ibid

⁴² Indigenous Peoples and climate financing: Experiences of the Indigenous Peoples Assistance Facility., Available at <https://www.ifad.org/documents/48415603/49744415/ipaf-climate-financing-2025-text.pdf/bcd72213-cdaa-e424-df68-bf854c5488e8?t=1738834759345> (Accessed on 24/10/2025)

⁴³ Ibid

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