

Equitable Climate Finance for Sustainability: Empowering Indigenous and Local Communities through Direct Funding

Kariuki Muigua

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Kariuki Muigua*

Abstract

This paper examines the role of climate finance in empowering indigenous and local communities. The paper argues that unlocking climate finance for indigenous and local communities is a vital goal due to the disproportionate impacts they face as a result of climate change. The paper discusses the impacts of climate change on indigenous and local communities. It observes that indigenous and local communities are highly vulnerable to climate change and its impacts. As result, the paper notes that enhancing access to climate finance for indigenous and local communities is a matter of climate justice. Despite the need for adequate and timely climate finance for indigenous and local communities, the paper notes that this ideal is yet to be attained. It notes that indigenous and local communities continue to be marginalised and excluded from decision-making processes on climate finance undermining effective, equitable and inclusive climate action. In light of these concerns, the paper discusses how indigenous and local communities can be empowered through direct funding towards equitable climate finance for sustainability.

1.0 Introduction

With climate change devastating people and planet, finance has become a critical resource in strengthening climate action at all levels. Climate finance covers global, regional, national and local financing—drawn from public, private and alternative sources of financing—that seeks to support climate mitigation and adaptation actions¹. The United Nations Environment Programme (UNEP) defines climate finance as all financial flows channeled towards addressing the causes and impacts of climate change². In addition, it has been pointed out that climate finance involves funding at the local, national or transnational level that supports the actions needed to confront climate change³.

Climate finance is at the heart of global efforts to confront climate change since mitigation and adaptation actions often involve huge investments. It has been pointed out that large-scale

* PhD in Law (Nrb),SC, FCI Arb (Chartered Arbitrator),OGW, LL. B (Hons) Nrb, LL.M (Environmental Law) Nrb; Dip. In Law (KSL); FCPS (K); Dip. in Arbitration (UK); MKIM; Mediator; Consultant: Lead expert EIA/EA NEMA; BSI ISO/IEC 27001:2005 ISMS Lead Auditor/ Implementer; ESG Consultant; Advocate of the High Court of Kenya; Professor of Environmental Law and Conflict Management at the University of Nairobi, Faculty of Law; Member of the Permanent Court of Arbitration (PCA) [March, 2026].

¹ United Nations Climate Change., 'What is Climate Finance?' Available at <https://unfccc.int/topics/introduction-to-climate-finance> (Accessed on 28/03/2026)

² United Nations Environment Programme., 'Climate Finance' Available at <https://www.unep.org/topics/climate-action/climate-finance> (Accessed on 28/03/2026)

³ International Fund for Agricultural Development., 'Why climate finance matters: Your questions answered' Available at <https://www.ifad.org/en/w/explainers/why-climate-finance-matters-your-questions-answered> (Accessed on 28/03/2026)

investments are needed at all levels in order to transition to a low-carbon global economy and to help societies build resilience and adapt to the impacts of climate change⁴. The availability and adequacy of climate finance supports climate mitigation through investments in renewable energy, sustainable transport and infrastructure, energy efficiency, sustainable agriculture and a sustainable Blue Economy among other key sectors towards reducing greenhouse gas emissions and confronting climate change⁵. In addition, climate finance is equally important for adaptation because significant financial resources are needed to help nations, communities and individuals to adapt to the adverse effects and reduce the impacts of climate change⁶.

Effective climate action is therefore dependent on the availability and adequacy of climate finance. However, it has been observed that access to adequate and timely climate finance remains a challenge especially for the Global South which is disproportionately impacted by the climate crisis⁷. The current landscape of climate finance is inadequate with vulnerable groups and populations, including indigenous peoples and local communities, who are disproportionately impacted by climate change lacking access to sufficient financial resources to respond to the consequences of climate change⁸. It is therefore vital to enhance access to climate finance especially for indigenous peoples and local communities towards effective climate action.

This paper examines the role of climate finance in empowering indigenous and local communities. The paper argues that unlocking climate finance for indigenous and local communities is a vital goal due to the disproportionate impacts they face as a result of climate change. The paper discusses the impacts of climate change on indigenous and local communities. It observes that indigenous and local communities are highly vulnerable to climate change and its impacts. As result, the paper notes that enhancing access to climate finance for indigenous and local communities is a matter of climate justice. Despite the need for adequate and timely climate finance for indigenous and local communities, the paper notes that this ideal is yet to be attained. It notes that indigenous and local communities continue to be marginalised and excluded from decision-making processes on climate finance undermining effective, equitable and inclusive climate action. In light of these concerns, the paper discusses how indigenous and local communities can be empowered through direct funding towards equitable climate finance for sustainability.

⁴ 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#:~:text=These%20grants%20and%20loans%20can%20be%20used,infrastructure%20that%20can%20withstand%20storms%20and%20flooding>. (Accessed on 28/03/2026)

⁵ United Nations Climate Change., 'Introduction to Climate Finance.' Available at <https://unfccc.int/topics/introduction-to-climate-finance> (Accessed on 28/03/2026)

⁶ Ibid

⁷ United Nations Development Programme., 'What is climate finance and why do we need more of it?' Op Cit

⁸ Ibid

2.0 Access to Climate Finance as a matter of Climate Justice for Indigenous Peoples and Local Communities

Indigenous peoples and local communities are disproportionately affected by climate change. The United Nations points out that indigenous and local communities are among the first to face the direct consequences of climate change due to their dependence upon, and close relationship, with the environment and natural resources⁹. In addition, UNEP observes that the close relationship and dependency on healthy and functional ecosystems have made indigenous peoples and local communities all over the world extremely vulnerable to climate change and other environmental threats including biodiversity loss¹⁰. Since their livelihoods depend on the environment, indigenous peoples and local communities are usually the first to be affected by climate change¹¹. In particular, it has been observed that extreme climatic events threaten farming, herding, pastoralism, hunting, fishing and forestry, among other economic activities that sustain the livelihoods and well-being of indigenous peoples and local communities¹².

Climate change therefore fuels injustices against indigenous peoples and local communities. It has been observed that 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 floods¹³. Further, climate change threatens the culture of indigenous peoples and local communities since Traditional Ecological Knowledge (TEK) associated with medicines, plants, herbs and animal resources is threatened when these resources are degraded or depleted due to climate change¹⁴. Climate change has negative implications on the use, protection and management of water, wildlife, land, fisheries and forests among other natural resources, affecting the economic, cultural, spiritual and customary significance of these resources to indigenous peoples and local communities all over the world¹⁵. It has been pointed out that climate change worsens the difficulties already faced by indigenous

⁹ United Nations., 'Climate Change' Available at <https://www.un.org/development/desa/indigenouspeoples/climate-change.html> (Accessed on 28/03/2026)

¹⁰ United Nations Environment Programme., 'Indigenous Peoples and their Communities' Available at <https://www.unep.org/civil-society-engagement/major-groups-modalities/major-group-categories/indigenous-peoples-and> (Accessed on 28/03/2026)

¹¹ United Nations Educational, Scientific and Cultural Organization., 'Climate Change and African Indigenous Peoples' Available at <https://www.unesco.org/en/articles/climate-change-and-african-indigenous-peoples> (Accessed on 28/03/2026)

¹² Ibid

¹³ 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 28/03/2026)

¹⁴ The Impacts of Climate Change on Indigenous Communities., Available at <https://indigenousclimatehub.ca/effects-on-indigenous-communities/> (Accessed on 28/03/2026)

¹⁵ Nilsson. C., 'Climate Change from an Indigenous Perspective: Key Issues and Challenges' Available at https://www.iwgia.org/images/publications/IA%201-2_08_Climate_Change_from_ind_perspective.pdf (Accessed on 28/03/2026)

peoples including political and economic marginalization, loss of land and resources, human rights violations, discrimination and unemployment¹⁶.

Due to the disproportionate impacts they face as a result of climate change, securing climate finance for indigenous and local communities is a matter of justice, equity, fairness and human rights. Indigenous peoples and local communities play little to no role in causing climate change since their traditional livelihoods and practices have a minimal impact on the environment and are highly adaptive to ecological changes, fostering healthy and resilient ecosystems¹⁷. Consequently, unlocking climate finance for indigenous peoples and local communities is vital towards safeguarding nature and ecosystem services for climate justice¹⁸. It has been observed that climate finance is crucial in enabling indigenous and local communities to protect, preserve and restore native ecosystems including forests, land, water resources and mountain ecosystems thus strengthening the resilience of people and planet in the wake of a mounting climate crisis¹⁹.

However, indigenous peoples and local communities face several challenges in accessing climate finance. For instance, it has been observed that despite protecting most of the world's intact ecosystems, less than two percent of global climate finance is reaching indigenous peoples and local communities in developing countries undermining sound climate action²⁰. In most regions of the world, indigenous and local communities usually operate with limited financial resources making them ill-equipped to respond to climatic emergencies including floods and forest fires²¹. Further, it has been observed that exclusion from decision-making processes undermines the adequacy, effectiveness and appropriateness of climate finance flows to indigenous peoples and local communities²². In light of these concerns, it has been suggested that there is need to rethink climate finance in order to ensure that indigenous peoples and local communities access finance a timely, adequate and appropriate manner towards climate justice and sustainability²³.

¹⁶ United Nations., 'Climate Change' Op Cit

¹⁷ 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 28/03/2026)

¹⁸ World Resources Institute., 'Enhancing Climate Finance Access for Indigenous Peoples and Local Communities: Insights From Payments for Ecosystem Services' Available at <https://www.wri.org/research/climate-finance-access-indigenous-peoples-local-communities-payments-ecosystem-services> (Accessed on 28/03/2026)

¹⁹ Ibid

²⁰ Decade on Ecosystem Restoration., 'Climate Finance needs Rethinking to Reach Indigenous Peoples on the Ground' Available at <https://www.decadeonrestoration.org/stories/climate-finance-needs-rethinking-reach-indigenous-peoples-ground> (Accessed on 28/03/2026)

²¹ The Impacts of Climate Change on Indigenous Communities., Op Cit

²² Green Climate Fund., 'Indigenous Peoples' Available at <https://www.greenclimate.fund/projects/sustainability-inclusion/ip> (Accessed on 28/03/2026)

²³ Decade on Ecosystem Restoration., 'Climate Finance needs Rethinking to Reach Indigenous Peoples on the Ground' Op Cit

3.0 Empowering Indigenous and Local Communities through Direct Funding

With climate change having devastating effects on indigenous peoples and local communities, access to adequate and timely climate finance is vital towards climate justice and sustainability. It has been argued that for effective climate action, 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 mitigation and adaptation strategies²⁴.(Emphasis added) It is therefore imperative to involve indigenous and local communities in decision-making processes on climate finance for equity, justice and human rights. It has been observed that effective and equitable climate financing requires partnerships built on trust, cooperation and respect for indigenous peoples' right to self-determination²⁵. As a result, there is need to fully and effectively engage with indigenous 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 impacts²⁶.

In particular, direct funding is an effective approach towards empowering indigenous and local communities for climate justice and sustainability. Direct funding in the context of climate finance means that national and subnational entities receive finance at first hand without going through intermediaries²⁷. It has been observed that this approach is vital in ensuring equitable, timely and adequate access to finance by removing bureaucratic hurdles, reducing costs, and allowing stakeholders at local levels to be meaningfully involved in decision-making processes²⁸. Through direct funding, it is possible to ensure country ownership of climate projects and financial resources²⁹.

Direct funding is therefore an effective approach towards empowering indigenous and local communities in the pursuit of climate justice for sustainability. It has been argued that direct funding is key in strengthening climate finance governance³⁰. For example, through this approach,

²⁴ United Nations Development Programme., 'Indigenous knowledge is crucial in the fight against climate change – here's why' Op Cit

²⁵ International Fund for Agricultural Development., 'Indigenous Peoples and climate financing: Experiences of the Indigenous Peoples Assistance Facility' Available at <https://www.ifad.org/en/w/publications/indigenous-peoples-and-climate-financing-experiences-of-the-indigenous-peoples-assistance-facility> (Accessed on 28/03/2026)

²⁶ Green Climate Fund., 'Indigenous Peoples' Op Cit

²⁷ World Resources Institute., "'Direct Access' to Climate Finance: Lessons Learned by National Institutions' Available at <https://www.wri.org/research/direct-access-climate-finance-lessons-learned-national-institutions> (Accessed on 28/03/2026)

²⁸ Ibid

²⁹ Green Climate Fund., 'Improving Access to Climate Finance through National Entities' Available at <https://www.greenclimate.fund/sites/default/files/document/gcf-brief-direct-access.pdf> (Accessed on 28/03/2026)

³⁰ Direct Access to Climate Finance: How Kenya's Counties are Leading Local Adaptation., Available at <https://regions4.org/actions/kenyan-counties-direct-access-to-climate->

national institutions mobilise and channel financial resources while stakeholders at the local level adapt and utilise climate finance in accordance with their unique climate goals and priorities³¹. Consequently, by providing direct funding for indigenous and local communities, it is possible to implement climate change 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 impacts³². It has been argued that there is need to channel funds directly to indigenous peoples and local communities in order to enable them to implement mitigation and adaptation strategies that align with local needs³³. It has been observed that indigenous and local communities possess unique knowledge and practices that are key in combating climate change for sustainability³⁴. The practices and wisdom of indigenous peoples and local communities are rooted in harmony with nature and offer effective climate solutions, such as sustainable agriculture techniques, sustainable land and forest management and climate-resilient water management³⁵. Direct funding is therefore key towards investing in indigenous knowledge and practices for sound climate action³⁶. It is therefore imperative to empower indigenous and local communities through direct funding towards equitable climate finance for sustainability.

4.0 Conclusion

Access to climate finance is a key priority for indigenous and local communities who are disproportionately impacted by climate change. It is therefore necessary to involve indigenous and local communities in decision-making processes on climate finance for equity, justice and human rights. In particular, direct funding is vital towards enabling indigenous and local communities to utilise their TEK to implement mitigation and adaptation strategies that align with their traditional practices, livelihoods and culture³⁷. Empowering indigenous and local communities through direct funding is therefore a practical and achievable endeavour towards equitable, fair and appropriate climate finance for justice and sustainability.

[finance/#:~:text=Finance%20flows:%20based%20on%20results,disbursed%20to%20counties%20through%20FLLoCA.](#) (Accessed on 28/03/2026)

³¹ Ibid

³² 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 28/03/2026)

³³ Decade on Ecosystem Restoration., 'Climate Finance needs Rethinking to Reach Indigenous Peoples on the Ground' Op Cit

³⁴ United Nations Development Programme., 'Indigenous knowledge is crucial in the fight against climate change - here's why' Op Cit

³⁵ Ibid

³⁶ Decade on Ecosystem Restoration., 'Climate Finance needs Rethinking to Reach Indigenous Peoples on the Ground' Op Cit

³⁷ Ibid

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