Family Farmers
for Climate Action.

MONEY WELL SPENT?

Why the world's biggest climate funds are failing to get finance to the grassroots where it matters most.

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Cover Image: Juan José Toro Letlier, Chile

SUMMARY

Creating a resilient, sustainable, and equitable food system that can feed the world in a changing climate will require a lot more finance - governments will need to mobilise an estimated US$200-500 billion a year. They also need to ensure that this money is well spent.

This briefing summarises new analysis conducted by Climate Focus on behalf of Family Farmers for Climate Action, an alliance of networks representing over 50 million farmers in Africa, Latin America, Asia, and the Pacific.

It reveals that the two biggest climate and environment funds - the Global Environment Facility (GEF) and the Green Climate Fund (GCF) - are not spending wisely. They are failing to get finance to grassroots farming organisations where it can have the most impact.

Small-scale family farmers produce 70% of the food consumed in Africa and up to 80% in Asia, are central to global supply chains for commodities such as rice and coffee, and support the livelihoods of 2.5 billion people. They are pioneering the diverse and nature-friendly practices needed to build climate resilience, restore and protect nature, increase food security, and reduce emissions.

Yet despite their importance, just 14% of the US$9.1 billion in international public climate finance for agriculture and land use was targeted at activities most relevant to small-scale farmers in 2021-2022. This amounts to an estimated US$1.3 billion - a fraction of the US$368 billion that small-scale producers invest from their own dwindling resources each year.

Analysis of GCF and GEF funding provides an insight into why so little climate finance is getting through to the people who need it most.

It reveals that just a third of the US$2.6 billion which GCF and GEF invested in agriculture, fishing, and forestry between 2019 and 2022 was aimed at projects that explicitly support sustainable agriculture practices that are relevent to small-scale farmers.

Further analysis of 40 GEF- and GCF-funded climate and biodiversity projects in the agriculture and land-use sector revealed that small-scale farmers, and their organisations are shut out of decision-making and have no direct access to finance:

1. Over half the project funding (53%) was targeted at farmer-related activities, but none of the money went direct to family farmers or their organisations.

2. Just seven of the 40 projects (18%) explicitly mentioned farmers' involvement in decision-making through, for example, participation in project steering groups. In most cases, family farmers are viewed as beneficiaries rather than critical partners for change.

Researchers identified multiple barriers built into the GEF and GCF processes that prevent farmer organisations from accessing finance:

1. Most funding applications for GEF and GCF must be submitted by, or in partnership with, an accredited organisation - typically multilateral development banks, UN agencies, and international NGOs - and require approval from the host government. As a result, finance is often tailored to the priorities of accredited organisations or governments rather than the needs and priorities of the farmers.

2. Applying for accreditation - so that farmer organisations can have control over how they spend funds - is virtually impossible due to confusing, time consuming, and expensive processes. For example, the only available information on applying for GEF accreditation dates from a 2012 pilot project and includes the payment of a non-refundable fee of US$25,000. The last accreditation of an agency was in 2015.

3. The quantity and complexity of technical, financial and legal data required in funding applications make it difficult for farmer organisations to access finance. GCF funding applications can require up to 22 supporting documents, including in one case criminal and background checks on all the employees of farmers organisations involved in the project.

All the evidence shows that getting climate finance directly to grassroots farmer organisations, where they have control over their own adaptation and mitigation projects, is the most effective way of supporting climate action (Box 1). The next best approach is to ensure small-scale producers and their organisations have a real say in decisions over project aims, design and implementation. This ensures that projects can benefit from farmers' expertise and experience - including an understanding of the challenges they face, and the solutions that could make a difference.

The failure of decision-makers and funders, like GEF and GCF, to work in partnership with family farmers is undermining their impact, and holding back progress on climate adaptation, emissions reduction, food security, and the protection and restoration of nature. This problem is tacitly acknowledged by GEF, which has set a (relatively modest) target for the Global Biodiversity Framework Fund to allocate 20% of the total funding directly to Indigenous Peoples and local communities.

Family Farmers for Climate Action is calling on public finance institutions and philanthropic donors to ensure their money is well spent: recognise the critical role that family farmer organisations play in climate adaptation; set targets for the percentage of funds that go directly to family farmer organisations; and reform the processes and procedures that govern how climate finance is spent..

Image Credit: Raphael Belmin, Senegal

Why the grassroots?

Numerous studies - including the IPCC Sixth Assessment Report on Adaptation - highlight the importance of grassroots organisations such as family farmer networks for climate adaptation.

Family farmer organisations already provide financial, technical, and political support to millions of small-scale producers across the globe, including women, youth, and Indigenous Peoples.

They have tried-and-tested organisational structures, processes, and networks that can be used to channel finance to farmers in even the most remote communities, including creating accessible, trust-based financial mechanisms such as savings groups and financial cooperatives that are tailored to farmers' needs. For example, the World Council of Credit Unions (WOCCU) represents more than 80,000 credit unions - mostly agricultural financial cooperatives - that together register US 3.6 trillion in assets and have been set up to get money to the grassroots level.

As farmer-led and farmer-driven organisations, collaborative decision-making processes are at the heart of the structures and delivery mechanisms of family farmer organisations. This ensures support is designed and implemented by, and with, family farmers. It makes the most of local experience and expertise and ensures farmers have ownership over the development of their farms.

Family farmer organisations operate at a local, national, and regional level and have a track record of successfully managing and delivering at scale. For instance, the Asian Farmers Association for Sustainable Development created a US$1.8 million rapid response loan programme to help over 20,000 farmers diversify production and adapt to the Covid crisis.

METHODOLOGY

Climate Focus was asked to assess the extent to which the climate finance managed by the two biggest climate funds, GEF and GCF, is reaching family farmers and the organisations that represent them. A summary of the methodology is given below and a more detailed overview can be found in the research report.

(1) Review of funding by GEF and GCF to assess how much finance they provide to projects related to sustainable agriculture and small-scale family farmers.

The analysis uses climate-related Official Development Assistance (ODA) data published by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC).

Researchers extracted data about GEF and GCF climate finance for agriculture-related activities between 2019 and 2022 in order to provide a picture of financial commitments to the most recent projects.

Projects and programmes specifically relating to family farming and sustainable agriculture were filtered out based on a keyword search of project names and descriptions in English, Spanish, and French - a complete list is provided in the research report. The data was then analysed to obtain a clearer picture of GEF and GCF finance flows to family farmers.

Due to the range of keywords used, it is possible that projects were included in the selection that are not directly related to small-scale and family farming. This means the estimates might overstate the extent to which finance is flowing to family farmers.

(2) Review of 40 projects funded by GEF and GCF to assess the extent to which family farmers can access finance and have a say in decision-making over projects that are aimed at supporting their needs.

Researchers conducted an in-depth review of 20 GEF-funded and 20 GCF-funded projects from Asia (15 projects), Africa (15 projects), Latin America and the Caribbean (10 projects).

Six criteria were used to select projects that represented the full range of support provided to family farmers by GEF and GCF. The final selection includes projects of different sizes and geographical locations, supporting activities focused on climate change, biodiversity, and land degradation. Only recent projects that are approved, in progress or completed, were included.

For each of the 40 selected projects, two key documents - the approved project proposal and the latest progress or completion report where available - were evaluated to capture information on funding and implementation, the role of farmers, financing instruments, and financing for farmer-related activities, as well as general project information.

(3) Three focus group sessions were held with representatives from small-scale family farmer organisations across Africa, Latin America, Asia and the Pacific to develop a clearer understanding of the barriers hindering their access to climate finance.

Participants included representatives from the Eastern Africa Farmers Federation, Asian Farmers' Association for Sustainable Rural Development, Pacific Farmer Organisations, the Network of Farmers' and Producers' Organizations in West Africa, and the Regional Platform of Farmers' Organizations in Central Africa.

GREEN CLIMATE FUND

Image Credit: Mario Vargas, Bolivia

The Green Climate Fund (GCF) is the world's largest climate fund and has committed a total of US$15 billion to support 270 projects and programmes to date. It is financed by contributions from countries, cities, and regions. It is mandated to spend 50% of its funding on mitigation and 50% on adaptation in developing countries - with at least half of its adaptation resources invested in the most climate vulnerable countries.

In its Strategic Plan for 2024-2027, GCF commits to supporting low-emission and climate-resilient agricultural and fisheries practices, securing livelihoods and reconfiguring food systems, and to positively impact 190 to 280 million beneficiaries in developing countries.

Analysis reveals that between 2019 and 2022:

1. GCF committed just under US$8 billion to climate mitigation and adaptation activities, approximately a quarter of which (US$2.1 billion) was targeted at the Agriculture, Forestry and Fishing sector.

2. Around a third (35.5%) of finance for agriculture, forestry and fishing was committed to projects aimed at supporting sustainable agriculture and/or small-scale producers - a total of US$745 million, or US$186 million per year.

3. At least 10 intermediaries were responsible for dispersing the finance, with the International Fund for Agricultural Development (IFAD) (34%), the United Nations Development Programme (UNDP) (14%), and the Development Bank of Latin America and the Caribbean (CAF) (10%) accounting for over half the finance.

How it works

GCF takes a country-driven approach, which means national governments lead the development and implementation of projects. A government appointed institution - the National Designated Authority (NDA) - coordinates with and approves all GCF activities in the country.

GCF also works with a network of over 200 Accredited Entities (AEs) that support the development of funding proposals, project implementation, and monitoring. AEs include: commercial banks; multilateral, regional and national development finance institutions; UN agencies; and civil society organisations. There are currently no small-scale or family farmer organisations listed as an AE. Accredited Agencies take the lead in project implementation but may partner with other organisations in carrying out activities on the ground.

In most cases, funding proposals must be submitted to GCF by, or in partnership with, an AE. Applications go through a 5 to 6-step process before they can be approved. Funding applications may require as many as 22 supporting documents, including a feasibility study, budget, timetable, reports on environmental and social safeguards, a gender action plan, a no-objection letter from the respective NDA, and economic or financial analysis. Applicants are also encouraged to secure co-financing (i.e. funding from other sources) to maximise the impact of GCF funds.

Application fees vary according to the size of the funding request but can be up to 8.5% of the total projected cost of the proposed project. The GCF Board meets to approve funding proposals three times a year. Most proposals need to be submitted at least six months in advance of the meeting, and it can take up to a year from approval for the first disbursement of funding to be made.

Increased accessibility?

In 2023, GCF launched a new funding model - the Project-specific Assessment Approach (PSAA) - which is designed to make it easier for grassroots organisations to access funding.

The PSAA, which is currently in a pilot phase, enables non-accredited organisations to apply for funding directly. However, applicants still need to meet legal, financial, environmental, social, and gender criteria, and must be nominated by an NDA or country focal point.

While the funding application process is simplified, it still requires a significant amount of information, including a project summary and a concept note, as well as evidence that the project is aligned with government priorities and that key stakeholders are being engaged. Applicants are also required to provide documents relating to their legal status and financial management and - depending on the size and type of project - a No Objection Letter from the government (NDA).

The approval process involves a technical review of the proposed project, alongside an evaluation of the applicant's capacity to implement the project and manage social and environmental risks.

GCF says it will review up to ten proposals per year during the pilot phase, but no information on the timing for applications or the disbursement of funding is provided. Under the PSAA, application fees are reduced by 20% compared to the traditional funding model. It is as yet unclear what will happen following the pilot phase, or if the pilot will lead to a new GCF approach.

GLOBAL ENVIRONMENT FACILITY

The Global Environment Facility serves as a fund for the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD), and the United Nations Convention to Combat Desertification (UNCCD). To date, GEF has provided over US$25 billion in finance to over 1,600 projects globally.

GEF is financed by 40 donor countries and is replenished every four years. A total of US$5.3 billion has been pledged by governments for the GEF-8 (2022-2026) replenishment period, an increase of more than 30% from its previous operating period.

There are six GEF funds. The GEF Trust Fund, Least Developed Countries Fund, and Special Climate Change Fund are the main funds supporting food and agriculture-related mitigation and adaptation activities. However, other funds such as the Innovation Fund are also relevant. GEF also helps fund several food system programmes, including the Food Systems, Land Use and Restoration (FOLUR) Impact Program led by the World Bank, which aims to support the sustainable production of eight commodities - livestock, cocoa, coffee, maize, palm oil, rice, soy, and wheat - across 27 countries.

Analysis shows that between 2019 and 2022

1. GEF provided just over US$3 billion in financing to climate mitigation and adaptation activities, of which around 17% (US$585 million) was targeted at the Agriculture, Forestry and Fishing sector.

2. Just 26% of finance for agriculture, forestry and fishing was committed to projects aimed at supporting sustainable agriculture and/or small-scale producers - a total of US$155 million, or approximately US$38 million per year.

3. At least 15 intermediaries were responsible for dispersing finance with the United Nations Development Programme (UNDP) (24%) and the Food and Agriculture Organization of the United Nations (FAO) (23%) accounting for almost half the funds.

Image Credit: Kisha Beringuela, Philippines

How it works

GEF is mandated to provide funding to government-driven projects and programmes in line with countries' national environment and development priorities.

Most funding applications go through accredited GEF agencies, which are responsible for creating project proposals and managing project implementation. There are 18 accredited agencies - including development banks, UN programmes, and international NGOs. No family farmer organisation is listed as an accredited GEF agency.

Executing Agencies are responsible for the management and administration of the project - or portions of it - on a day-to-day basis under the supervision of the accredited agency. Executing Agencies can be government, private sector, academic or civil society organisations however the complicated legal and financial rules set by GEF (e.g. financial and management controls, internal and external audits, financial disclosure) exclude many family farmer organisations from this role .

Accredited GEF agencies work with a government official, called an Operational Focal Point (OFP), and a range of implementing partners, including government agencies, civil society organisations, and commercial banks and investors, to deliver the project.

The application process to become an accredited GEF agency is unclear. The only available information dates from a 2012 pilot that required applicants to submit a form demonstrating how they add value to GEF and provide evidence on how they meet GEF's legal, financial, environmental, and social standards. A letter of endorsement from a government official (OFP) and a non-refundable fee of US$25,000 was also required. No information is available on the process or eligibility criteria for becoming a project implementing partner.

To secure GEF funding, projects must meet a number of eligibility criteria, including that the project is consistent with national sustainable development priorities, that it aligns with GEF's five core focus areas, and that it meets GEF's financial and stakeholder requirements.

The application process varies according to the type and size of activity being funded. Most funding applications require a concept note, called a Project Identification Form (PIF), that includes details on how the project aligns with GEF and country priorities, as well as its proposed theory of change and expected outcome indicators. PIFs go through a series of reviews, including evaluation by the GEF Secretariat and Council, before they may be approved for funding.

Funding applications of up to US$500,000 to support the work involved in preparing an application, project plan, or strategy, can be submitted directly by country representatives (OFPs) - rather than an accredited agency - and are subject to a simplified approval process. However, these still require the submission of a PIF or fully developed project plan.

Application fees, paid to GEF agencies to cover project cycle management services, are 9% of the grant size for applications over US$10 million, and 9.5% for applications below US$10 million. No information is available on the typical waiting time for funding application to be approved, or between approval and the dispursement of funds.

Applicants are also encouraged to show that they have secured funding from other sources in addition to GEF. Across its whole portfolio, GEF aims for co-financing worth seven times that of its own funding.

PROJECT REVIEW

Researchers analysed 40 GEF- and GCF-funded climate and biodiversity projects - with a total cost of US$3 billion - where small-holder farmers were listed as direct or indirect beneficiaries. Key findings include:

1. Although half the funding (53%) was targeted at farmer-related activities, none of the money went direct to family farmers or their organisations. Instead, in-kind support was provided, such as training and technical support or drought-resistant seeds.

2. Only seven of the 40 projects (18%) explicitly mentioned farmers' involvement in decision-making through, for example, participation in project steering groups.

3. The majority of projects consulted farmers on the design and preparation of projects through workshops (75%) or surveys (20%), however none of the projects explicitly mention the budget allocated to farmer participation.

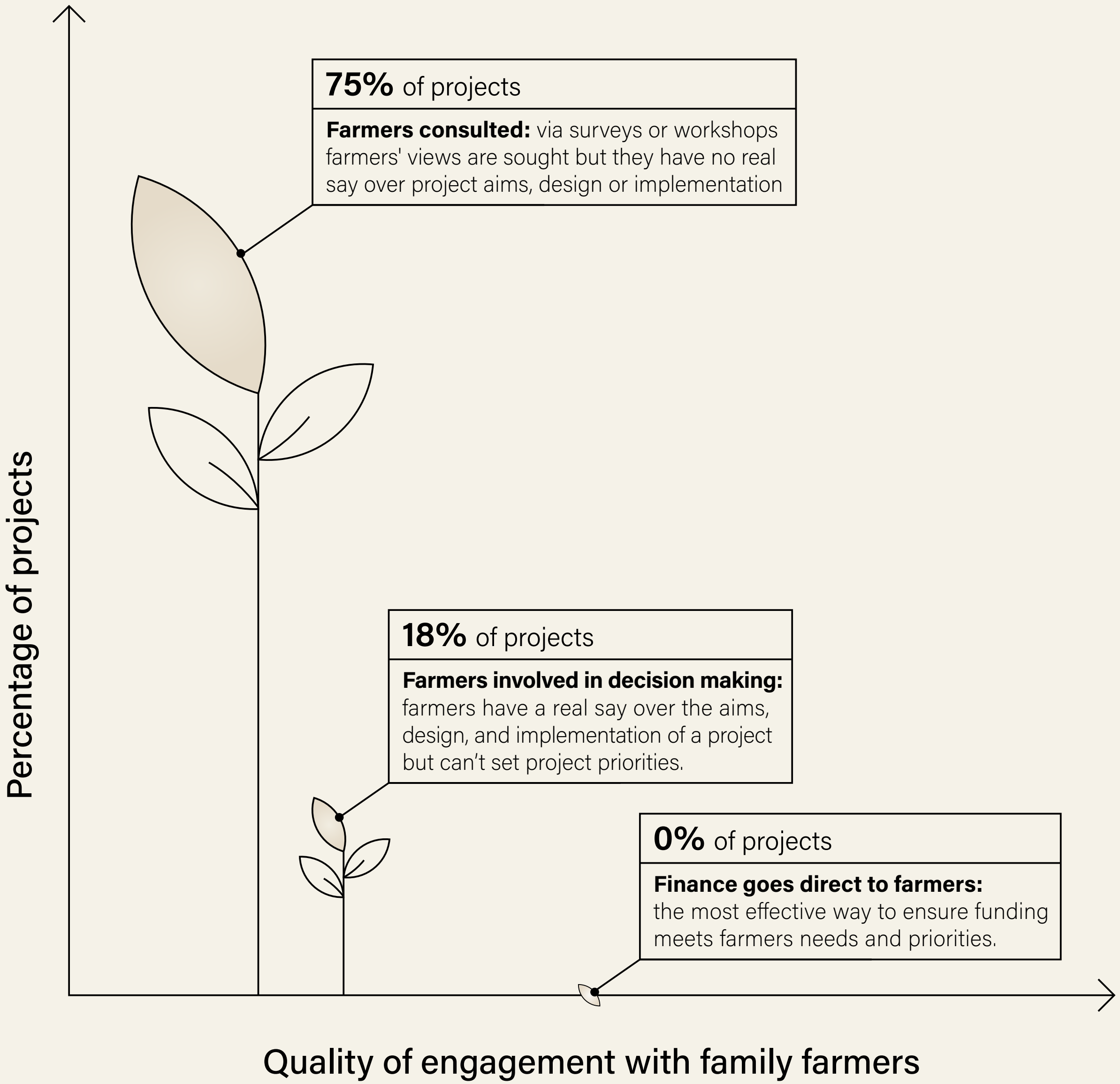
4. Only 16 projects (40%) state the role played by farmers in the implementation of the project - for example, providing peer-to-peer training, supervising projects, managing activities and distributing non-financial benefits such as seeds.

The lack of direct access to finance and the limited involvement in decision-making on project priorities, design, and implementation means the projects are less likely to meet the needs and priorities of family farmers, and less likely to benefit from their expertise and experience. The failure to recognise the value of small-scale producers extends to project implementation, where their role is often overlooked, even though they are often critical to the effective execution of a project and equitable distribution of support.

Image Credit: Fabián Rendón, Colombia

Quality of farmers engagement in GEF & GCF projects.

Analysis of 40 GEF and GCF funded projects developed, implemented, or completed between 2019 and 2022, where farmers listed as beneficeries.



BARRIERS TO FINANCE

Feedback from focus group discussions with representatives of family farmer organisations from Africa, Latin America, and Asia highlight a number of barriers built into GEF and GCF funding mechanisms that prevent them accessing climate finance.

No direct access to finance

Under GCF's main funding model, small-scale and family farmers must rely on an Accredited Entity (AE) to develop a proposal. While there are no explicit rules against family farmer organisations becoming AEs, the stringent eligibility criteria combined with the time consuming and complex accreditation process effectively prevents them from applying.

Proposals for funding must include a No Objection Letter from a government appointed official (NDA), but with just one official per country, it can be very hard to secure contact, let alone secure a letter. Similar challenges face organisations seeking funding via GCF's pilot program - designed to make it easier for grassroots organisations to access funding, as applicants need to be nominated by an NDA.

Similarly, there are no direct channels for family farmer organisations to access GEF finance. Funding applications must go via accredited agencies - and there is no up-to-date information available on whether, when, or how family farmer organisations can apply for accreditation. Most funding applications must also be submitted with the approval of a government official, even though these can be very difficult to reach.

Accredited agencies or entities work with executing agencies - mainly large, established governmental and non-governmental organisations - in host countries to deliver the projects. These organisations have a significant say over the design and implementation of a project however family farmers are often excluded as they don't meet the complicated legal and financial requirements set by the funds.

Lack of engagement

Family farmers are viewed as passive beneficiaries rather than partners and are largely excluded from decision-making during project development, refinement, and implementation. Examples of the lack of engagement include:

In one case, a temporary farmer organisation was established to fulfil the government's requirement for a participatory process instead of working with established family farmer organisations. The temporary farmer organisation was dropped from the project development process soon after.

In another case, farmer organisations were encouraged to engage with the government during the early design stages of an agricultural intervention, but then heard nothing. Years later, the farmer organisations discovered the project had been implemented elsewhere.

One farmers' network that had secured GCF funding in collaboration with a large partner organisation found that the needs of the partner were prioritised over their own. This sentiment was echoed by other participants.

Image Credit: Anthony Into, Philippines

Complex application requirements

The complex eligibility requirements set by GEF and GCF were repeatedly highlighted as barriers hindering the access of family farmers to finance.

Under GCF's main funding model, proposals must be submitted with extensive supporting documentation that requires a high level of technical expertise to compile. This includes, among other things, calculations on the expected climate mitigation impact of the proposed project, detailed monitoring and evaluation plans, a detailed budget plan, and a procurement plan. Similarly, under GEF guidelines, proposals require detail on the methodological approach used to measure core outcome indicators.

Compiling the information required by both GEF and GCF requires a considerable amount of time, resources, and technical expertise, which farmer organisations often lack. One participant reported that auditing and due diligence carried out as part of a GCF funding application process involved criminal and personal background checks on all employees, which was incredibly time- and resource-draining for the organisation. The funding ultimately provided for that proposed intervention did not (and does not, as standard under the GCF mechanism) cover farmers' costs for such preparatory requirements.

Poor transparency

Farmers' representatives highlighted a lack of clear information about when applications should be submitted or when funds can be expected once an application is approved.

This lack of information offers farmers little financial security. The few participants with experience of successful GEF and GCF funding applications said they received limited information on the status of their application and delays in the disbursement of funds after approval. This often undermines their ability to plan and implement projects which are often time dependent because of the seasonal nature of farming.

One participant said that the slow disbursement of funds meant they were unable to deliver the outcomes they had planned for, which in turn negatively impacted the project evaluations and its prospects for continued funding.

Good & Bad Practice

Some of the best and worst approaches to working with grassroots farmers organisations highlighted by the research included:

Good practice: A US$41 million GCF-funded project to build the climate resilience of subsistence farmers and nomadic herders in Sudan included farmer and pastoralist unions on the project board. This ensured the project effectively responded to the communities' needs. Notably, 91% of total project finance was allocated to farmer-related activities, including support for sustainable farming practices, the rehabilitation and improved management of pasture land, the use of drought-resistant seeds, and access to climate resilient water sources.

Bad practice: Promoting sustainable agriculture and livestock farming is key to forest restoration and regeneration in the Peruvian Amazon. Yet a GEF-funded project to conserve forests and wetlands and generate sustainable, resilient livelihoods did not identify farmers as a key beneficiary group or include them in the project's steering committee or decision-making structures. No direct finance was allocated for farmers or farmer-related activities and there is no clear evidence that farmers were consulted on the design or implementation of the project.

CONCLUSION

Much more finance is needed to transform the global food system for the benefit of people, nature, and the climate. It is also imperative to ensure this finance is well spent.

However there is a very real risk that climate finance for agriculture is missing its target because governments and funders, such as GEF and GCF, are failing to ensure family farmers have direct access to finance and a real say over how funds are spent.

Addressing these problems will require a recognition of the critical role that family farmers play in creating a more resilient and sustainable food system and fundamental reforms in the processes and procedures governing how climate and nature finance is spent. Specifically, GEF and GCF should:

1. Set targets for the percentage of funds that must directly reach family farmer organisations in all projects where they are listed as beneficiaries.

2. Streamline the application process to ensure family farmer organisations can apply for finance directly, including:

   - Introducing realistic eligibility criteria and reducing the complexity of the documentation required.

   - Exploring the creation of a dedicated fund for family farmers so they can apply for finance directly, rather than through accredited entities.

3. Provide support for family farmers and their organisations to engage with international finance mechanisms - including the provision of technical assistance and preparatory funds to help them fulfil application requirements.

4. Improve transparency and efficiency by making funding application and approval timelines clearer, and by ensuring the timely disbursement of funds.

5. Ensure family farmers and their organisations are involved in decision-making from the outset - including providing the support they need to engage effectively.

Image Credit: Tatiana Moreta, Ecuador

Pioneering climate solutions

The people of Andalucia, a town in the southwest of Colombia, can enjoy healthy local food thanks to a network of family farms that use agroecological farming methods - a diverse and nature friendly approach that is key to climate adaptation. One of the farms - Granja Agroecológico Familiar Pura Vida - was established in 2002 by Alfredo Añasco and his family on half a hectare of bare pasture. It has since been transformed into a diverse agro-ecosystem that boasts more than 200 plant species, most of which are used for food or forage, alongside chickens, goats, bee hives and a pond for fish. The farm produces fresh and healthy food and an income, and is more resilient to climate impacts. For example, the abundant vegetation helps cool the farm farm by 9°C during heatwaves, and the use of organic fertiliser - produced from animal manure and crop waste - creates healthy soils that hold in moisture and carbon.

The report is being published by Family Farmers for Climate Action - an alliance of 11 family farmer organisations and networks representing over 50 million farmers in Africa, Latin America, Asia and the Pacific including: World Rural Forum (WRF), Eastern Africa Farmers Federation (EAFF), Eastern and Southern Africa small-scale Farmers Forum (ESAFF), Regional Platform of Farmers' Organizations in Central Africa (PROPAC), Maghreb and North African Farmers Union (UMNAGRI), Network of West African Farmers' and Producers' Organisations (ROPPA), Asian Farmers Association for Sustainable Rural Development (AFA), Pacific Island Farmers Organisation Network (PIFON), Confederation of Family Producers' Organizations of Greater Mercosur (COPROFAM), Regional Rural Dialogue Programme (PDRR), and the Intercontinental Network of Organic Farmer Organisations.

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