

Fostering complementarity: how development and climate financiers can scale up locally led adaptation

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Key messages

- A locally led adaptation (LLA) approach is an essential tool that, if scaled up, could deliver development and climate co-benefits for vulnerable and disadvantaged communities.
 - Financiers bring varied approaches to LLA based on their operational mandates; therefore, they play different roles in supporting and scaling up the LLA agenda.
 - Now is an important moment to strengthen complementarity in the efforts of financiers, governments and other actors to reach those at highest risk, as new opportunities emerge from the evolving climate and development finance landscape.
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1. Introduction

Support for locally led adaptation (LLA) has been growing among financiers since the establishment of the LLA Principles by the Global Commission on Adaptation in 2021; still, challenges persist for scaling up this agenda. Pioneered by civil society, the LLA principles aim to shift climate finance from a top-down approach toward a new paradigm in which decision-making power is devolved and resources are distributed to local levels (Soanes et al., 2021).

LLA is well-established for a wide range of climate adaptation efforts occurring at small scales; two of many examples include community-managed water harvesting systems

to cope with drought or alteration of agricultural practices to adjust to shifting precipitation patterns. LLA can also be enabled at larger scales, such as through the Asian Development Bank’s Community Resilience Partnership Program (CRPP) and the World Bank–funded Financing Locally Led Climate Action (FLLoCA) project in Kenya.

Though funding for LLA has increased substantially, financiers continue to face challenges in operationalizing the principles at scale and ensuring the replicability of LLA efforts. Some challenges relate to misconceptions that LLA is typically small-scale, or reliant on decentralized approaches. Other challenges include limited demand from some governments, as well as lack of technical capacity to support scaling up LLA, including among financiers themselves.

Currently, less than a quarter of all international public adaptation finance is allocated to projects with a specific focus on local communities (UNEP, 2023). Financiers now face increasing pressure to demonstrate efficiency in the delivery of official development assistance (ODA) and to reach the most vulnerable. That pressure presents a unique opportunity for scaling up LLA and maximizing the impact of investments by simultaneously delivering climate and development outcomes.

This brief is intended to inform adaptation financiers, as well as the broader community of adaptation scholars and practitioners, in their efforts to scale up support for LLA. The points here build on discussions during the “Symposium on financing locally led adaptation: exploring the role of multilateral development banks and development finance institutions in scaling LLA through national systems”, co-organized by the Stockholm Environment Institute, the World Bank, the Agence Française de Développement, and the Foreign, Commonwealth & Development Office of the UK government and held in Stockholm on 10–11 June 2025.

2. Convergence of opportunities

Climate and development financiers recognize the urgent need to support adaptation among the world’s most vulnerable communities, in alignment with the Global Goal on Adaptation’s emphasis on protecting those at greatest risk. The Global Goal on Adaptation provides a critical framework for reflecting local priorities, channelling resources toward the most vulnerable and disadvantaged populations, and building their resilience to escalating climate risks.

At least 1.2 billion people are currently at high risk from climate-related hazards, with many living in remote and fragile contexts, in poverty, or lacking access to basic services and financial protection to cope with climate impacts (World Bank, 2024b). Climate change impacts are expected to drive an estimated additional 132 million people into poverty by 2030 (OECD, 2024).

Despite forecasts of increasing need, the ODA landscape is undergoing dramatic shifts that could undermine progress towards the Global Goal on Adaptation. Major country donors have significantly reduced their ODA commitments, with further cuts projected for 2026 (OECD, 2025).

Though the reduction in ODA presents a challenge, it is also an opportunity for financiers to strengthen coordination and partnerships. It also is an opportunity to improve the quality of finance for LLA at scale, given that LLA maximizes co-benefits from each investment, thus stretching every dollar to reach those at highest risk.

Supporting this agenda requires innovative financing mechanisms that promote coordination across sectors, detailed below, as well as partnerships at the local and national levels. These are necessary to build on a diverse range of expertise and local knowledge for reducing poverty and managing risks in sustainable and meaningful ways.

Most critically, good governance processes must be embedded in LLA interventions from the outset, ensuring that investments build long-term capacity, create lasting institutional change, and generate returns that can be reinvested in further adaptation and resilient development efforts.

2.1 Proven track records

LLA can build on the legacy of locally led development initiatives. Such initiatives have already shown that devolving finance to local levels builds lasting institutional structures and processes and improves ownership, transparency and efficiency. In this space, community and local development (CLD) approaches emphasize community control over planning decisions and investment resources (Wong, 2012).

By focusing on bottom-up processes, CLD projects have been shown to consistently deliver increased access to quality infrastructure and services for poor households, thus supporting an enabling environment for productive livelihoods (Barron et al., 2024). They are most effective with multi-decade engagement, monitoring systems with feedback loops, and a flexible approach to implementation that allows for adjustment in changing risk contexts.

In many countries, CLD approaches are key to reaching remote and vulnerable groups and are effective especially in fragile contexts and where state capacity is limited, such as in the Horn of Africa and the Sahel. Some national governments, including in Indonesia and the Philippines, have adopted CLD as key national service delivery mechanisms, emphasizing local communities' and governments' ownership and role in planning and implementing development projects.

LLA can build on this evidence from CLD, enabling adaptation guided by an understanding of local risks and capabilities. Experience from the last decade shows how traditional CLD approaches can be “adapted” for LLA, to ensure local climate solutions are integrated within national policies and programming (Arnold et al., 2014).

2.2 Maximizing dividends

LLA can maximize climate finance effectiveness by enabling more rapid, inclusive and resilient development, as well as delivering targeted adaptation outcomes for the world's most vulnerable communities. The “double dividends” of LLA include direct resilience benefits, such as improved disaster preparedness and climate-smart

infrastructure, and broader social and economic development and community wellbeing gains, such as job creation, skills development, food security, health improvements, improved gender equality, strengthened local institutions, and improved social cohesion (Soanes et al., 2021; World Bank, 2024a). These interconnected benefits have a multiplier effect, where climate investments can catalyse wider development outcomes, making each dollar of climate finance more impactful while building the foundation for long-term community resilience.

Despite its benefits, LLA is not an all-purpose solution. It needs to be considered in the context of broader adaptation and resilience investments and to account for the political and economic context of implementation. Financing of LLA must be balanced with regional and national planning, existing investments, and coordination. LLA will also look different in different contexts, depending on countries' and communities' political and institutional characteristics, levels of inequality, and climate risk profiles. LLA is indeed local, and other approaches better address systemic climate risks that go beyond administrative boundaries – such as shocks to food supplies stemming from supply chain disruptions – that require a macro-level understanding of risks.

3. Fostering complementarity among financiers

Though financiers share a common objective to deliver more finance to vulnerable communities, they bring different approaches and face different challenges and constraints. Both in their broad and LLA-specific investments, financiers invest at different scales and use different funding models. While bilateral donors and vertical climate funds, such as the Green Climate Fund and Adaptation Fund, primarily allocate grants, multilateral development banks (MDBs) and some bilateral financiers, such as Agence Française de Développement, collaborate with governments to deliver concessional financing. Bilateral donors and vertical climate funds tend to support LLA through disbursements to civil society and other local level organizations; the MDBs and bilateral financiers deliver funding primarily through national systems, often in partnership with civil society. Private sector actors and philanthropies play a nascent but emerging role.

Given their differing approaches, financiers have an opportunity to cooperate and build on their relative strengths in supporting and scaling up LLA:

- Bilateral financiers can build on close government-to-government relations through grant financing, concessional loans, and development of proof-of-concept financing models.
- Vertical climate funds can target interventions to the most vulnerable contexts and innovate approaches.
- MDBs can scale up and integrate successful models into national systems, while wielding broader policy influence and reforms through financial instruments.
- Public development banks can leverage financial resources and technical expertise to bridge gaps between governments and communities.
- Private sector actors can contribute to blended finance approaches and support local financial institutions for sustainable outcomes.
- Philanthropies can enable flexibility and experimentation with innovative approaches.

Recipient governments will play a key role in creating country-driven solutions at scale. Integration of LLA into broader climate and development investment portfolios will look different in every country. Governments can help foster complementarity between financiers, for example through combining grant financing and concessional loans, transferring and scaling up successful models, and mainstreaming LLA into national and sectoral disbursement systems. Such coordination will enable governments to maximize the use of finance to build resilience in their respective countries. Financiers can coordinate efforts to address key capacity gaps for enhancing cross-ministerial coordination and strengthening government systems for LLA.

The private sector represents a critical yet underutilized financier for LLA, bringing unique capabilities that complement traditional development funding. Private actors can potentially offer flexible, risk-tolerant capital through impact investing, blended finance mechanisms, and corporate sustainability initiatives that align with their business needs while building community ownership and support. Their involvement is particularly valuable to support LLA efforts that can generate both adaptation outcomes and sustainable revenue streams, such as those supporting investments in locally led climate-resilient agriculture technologies.

However, engaging the private sector for LLA requires strengthening the local financial ecosystem – especially for micro-finance institutions – to be more sensitive to climate risks. In turn, such financial institutions will need to innovate in terms of the financial instruments and services they offer. Climate risk insurance, results-based payments, and guarantee mechanisms, for example, can bridge the gap between community needs and investor requirements. In addition to capital, private sector financing can build technical expertise as well as enhance the long-term sustainability and impact of LLA.

Public-private partnerships that bring the variety of financiers together with governments can unlock private sector investment. Public financiers such as MDBs and some bilateral funders can provide first-loss guarantees, concessional loans, and risk-sharing mechanisms that make LLA investments more attractive to private investors, which might otherwise view community-level interventions as too risky or not profitable. Public development banks, such as members of the International Development Finance Club, can play an important role in helping to reduce risk and attract private investment to LLA projects, for example through incentive programs to encourage second-tier banks to support microfinance institutions.

MDBs and bilateral financiers also possess the convening power to facilitate partnerships between private investors and local communities, helping to build trust and establish governance frameworks that protect community interests while meeting investor requirements. And through the provision of technical assistance and capacity building, MDBs, bilateral financiers, and philanthropies can help communities develop bankable project proposals and strengthen local institutions to effectively manage private partnerships.

4. Building momentum through evidence, results and learning

Robust evidence of impact and efficiency is crucial to continue to build the case for LLA among governments and financiers. A clear body of evidence demonstrates that LLA leads to improvements in equity, transparency, and legitimacy of adaptation interventions (Rahman et al., 2023). Methodological advances are now needed to examine whether and how LLA builds communities' long-term resilience to climate risks, from the perspective of both financiers and beneficiaries, as well as its efficiency compared to top-down approaches.

More robust information and analysis of the costs and benefits of LLA can further strengthen the economic and financial case for LLA investments as well as evidence of results. Robust analysis will need to combine quantitative and qualitative approaches and use comparative methods to account for how results differ within and across countries and contexts. Researchers and evaluators can draw on a portfolio of approaches, including program evaluations, randomized control trials, economic analysis, expert judgement assessments, and high-level syntheses.

Further evidence is also needed on LLA double dividends, complementarity and scalability. Analysis of impacts should account for “double dividends” in terms of economic benefits and gains in community wellbeing. To improve understanding of how LLA fits with planning and investment at regional, national and global levels, research should also investigate the relative strengths of actors at these different governance levels. Learning between financiers and governments – e.g. through case studies and exchange visits – will be critical to understanding and building on these relative strengths. Taking LLA to scale will also require close examination of pilot approaches and conditions under which they prove replicable.

While developing the “business case” for LLA, the emerging role of the private sector raises important questions, particularly about the need to maintain focus on empowering vulnerable communities. Many financiers see strong potential for private sector actors to support LLA, particularly through blended and microfinance approaches (Global Environment Facility, 2024). Yet blended models are few and small in scale, and some have raised concerns about how the LLA principles can be integrated into private sector financing structures. Though microfinance has been shown to be a powerful instrument to reach communities, especially in informal settings, its long-term effectiveness in building resilience remains unclear, and concerns persist about how debt may exacerbate vulnerability.

5. Continuing the conversation

As evidenced by the discussion in the symposium on which this brief is based, financiers have begun to identify their common objectives and approaches to supporting LLA, as well as how they diverge. Common objectives include ensuring that adaptation financing reaches the most vulnerable populations, supporting capacity building at the national and local levels, and ensuring national systems are built or strengthened to sustain LLA. Yet divergences remain regarding how different financiers approach and provide support for LLA. Some institutions prioritize direct funding to

local organizations, while others prefer working through intermediary organizations or government channels, making complementarity essential to avoid duplication (Climate Policy Initiative, 2025).

The path forward requires sustained efforts to build trust among these diverse financial actors through regular dialogue, shared learning platforms, and joint initiatives that demonstrate the value of coordinated approaches. Such candid exchanges are essential for identifying opportunities for complementarity, where different financiers can leverage their unique strengths and capabilities to create the enabling environment for LLA scalability and replicability.

Beyond inter-financier coordination, the successful scale-up of LLA depends on robust mechanisms for dialogue and partnership with the broader ecosystem of stakeholders championing the agenda. Local-level organizations and civil society – including institutions such as the Global Center on Adaptation, the International Institute for Environment and Development, and the World Resources Institute – have played a pioneering role in advancing LLA. Several funders have developed their own approaches for scaling up the agenda by learning and building on this foundation, in consultation and partnership with these stakeholders (Coger et al., 2022). Such dialogue and collaboration will continue to be essential for bringing LLA to scale.

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