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Policy Brief

Scaling Small Grant Financing for Climate Action: Lessons from the Next Level Grants Facility

MAY 2026

Key Messages

- **Locally led climate finance delivers results**
The NLGF shows that when funding is accessible, timely, and grounded in trust, grassroots actors can drive meaningful climate action across diverse country contexts.

- **Small grants catalyze systemic change**
Even modest financial support at the local level can unlock institutional capacity, catalyze new partnerships, build resilience, and drive influence on policy and practice at both local and national scales.

- **Inclusion is a strategic driver of impact, not a safeguard**
Empowering women, youth, Indigenous groups, and informal actors leads to more legitimate, socially anchored, and sustainable adaptation outcomes.

- **Trust-based accountability and flexibility strengthens effectiveness**
Replacing rigid compliance with tailored support and progressive accountability builds transparency, reduces administrative burdens, and enhances community ownership.

- **Enhanced access requires a contextual approach**
Responsive approaches such as multilingual access, simplified application and reporting, and real-time communication has to be tailored to each context to facilitate more equitable access.

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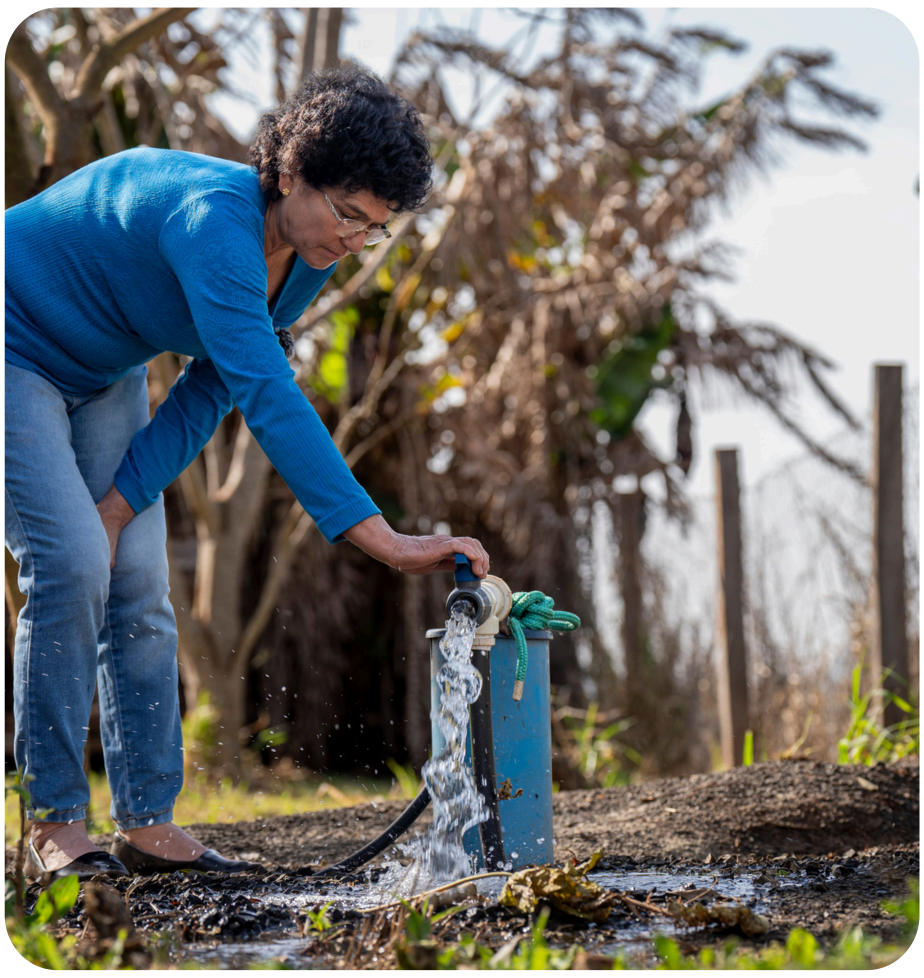
Context

Global climate finance remains highly centralized, limiting access for the local actors most exposed to climate risk. Evidence from the Next Level Grants Facility (NLGF) shows that small, flexible, and trust-based financing enables grassroots organisations to deliver effective, inclusive, and durable climate action across diverse contexts. Implemented in seven countries, the NLGF demonstrates that inclusion drives impact, trust-based accountability strengthens effectiveness, and flexibility improves responsiveness and efficiency. Even modest grants can catalyse institutional capacity, partnerships, and policy influence when decision-making is devolved to the local level. The NLGF offers a proven, scalable model for aligning climate finance with equity, effectiveness, and locally led adaptation, shifting power and resources to where resilience is built and needed most.

Despite growing commitments to localization and equity in climate action, the global climate finance architecture remains deeply centralized. Less than 10 percent of international climate funds reach local actors in a direct, flexible, or timely manner.[1] As a result, community-based organizations, cooperatives, human rights defenders and informal networks, often those most responsive to local livelihood threats, struggle to access the resources needed to be responsive and build resilience. This gap has left millions on the frontlines of climate impacts without meaningful financial support.[2]

The barriers are both structural and procedural in nature. Access to most climate funds still requires a degree of financial literacy, legal registration, and reporting capacity that grassroots organizations often lack. Application processes are typically conducted in dominant languages through complex online systems designed for professional non-governmental organisations (NGOs) or government institutions. These conditions can privilege well-connected intermediaries while excluding local actors who possess deep contextual knowledge and strong social legitimacy. Additionally, conventional monitoring and accountability frameworks often prioritize compliance and fiscal control over learning and innovation.[3] The outcome is a persistent disconnect between where climate risks are most acute and where climate finance flows.

Many existing financing models have therefore struggled to deliver sustained results at the community level. Even where small-grant mechanisms exist, they are often treated as experimental or short-term projects rather than as structural components of national adaptation systems. Large, centralised programs frequently overlook the relational, cultural, and behavioural aspects of resilience, such as community norms, informal support systems, and local decision-making practices, thereby limiting the agency of women, youth, Indigenous peoples, and persons with disabilities by failing to recognise the contextual foundations of resilience. This imbalance undermines not only the effectiveness of adaptation investments but also the legitimacy of climate governance itself.



NLGF Paraguay - Image courtesy of Coordinadora de Derechos Humanos en. Paraguay - CODEHUPY

[1] Organisation for Economic Co-operation and Development (OECD). (2024). *Climate Finance Provided and Mobilised by Developed Countries in 2013–2022.* OECD.
[2] United Nations Framework Convention on Climate Change (UNFCCC). (2023). Biennial Assessment and Overview of Climate Finance Flows. Bonn: UNFCCC Secretariat.
[3] Carter, S., Soanes, M., & Shakya, C. (2022). Delivering climate finance to the local level. IIED Discussion Paper. International Institute for Environment and Development.

The Next Level Grants Facility (NLGF)

The Next Level Grant Facility (NLGF) was established in direct response to persistent structural barriers that prevent grassroots and community-based actors from accessing climate finance. Developed under the *Voices for Just Climate Action (VCA)* programme, the Facility represents a deliberate shift away from conventional, compliance-heavy funding models toward a collaborative, trust-based approach that centres local agency. Rather than treating finance as a transactional exchange, the NLGF reframes it as an enabling process, one that recognises communities as rights-holders, knowledge-holders, and leaders of climate action.

Through the provision of small, rapid, and flexible grants, the NLGF bridges the gap between global climate finance architectures and locally led climate action on the ground. Its design responds to the realities faced by informal and under-resourced organisations and individuals, enabling them to act quickly in moments of crisis, seize emerging opportunities, and sustain longer-term pathways to resilience. In doing so, the Facility operationalises the Paris Agreement's call for locally led adaptation, advances principles of equity and justice in climate finance, and reinforces the United Nations Framework Convention on Climate Change's (UNFCCC) emphasis on inclusivity, participation, and civic space, demonstrating that community-driven solutions are not only viable, but essential to effective climate action.

The NLGF also contributes directly to national adaptation and development priorities by strengthening linkages between civil society, local governments, and marginalized populations. It demonstrates that when climate finance is designed to be accessible, proportionate, and responsive to local realities, it can enable communities not only to cope with immediate shocks but also to transform the systems that perpetuate vulnerability. In this sense, the NLGF stands as both a proof of concept and a practical model for reshaping the global climate finance landscape, anchoring resilience where it matters most: at the local level.

Against this backdrop of structural exclusion in global finance, the NLGF was designed as a real-world experiment to test how climate finance could be made more accessible, equitable, and adaptive. The following evidence illustrates how the model performed across seven diverse countries' contexts.

How this evidence was gathered
The data and findings presented in this policy brief form part of a broader research process and draw primarily on insights and evidence from the NLGF Learning Report (May 2026). Mixed-methods research was conducted through a multi-country assessment of the NLGF between 2022 and 2025. The analysis draws on over 192 grantee survey responses, more than 60 stakeholder interviews, and a systematic review of project documentation across the seven implementing countries. The data presented reflects the status of NLGF implementation and evaluation as of October 2025, approximately three months prior to the official close of the programme, due to the timing requirements of the analysis.

Authorship and Acknowledgements

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The policy brief was primarily authored by independent researchers Olasunkanmi Habeeb Okunola and Daniel Adenyi. Editorial input, review, and technical contributions were provided by Charlotte Scott, Tiffany Chalmers, and Yared Tsegay of SouthSouthNorth.

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Ministry of Foreign Affairs of the Netherlands

Evidence and insights from the NLGF

Operating across seven diverse contexts, including Brazil, Bolivia, Indonesia, Kenya, Paraguay, Tunisia, and Zambia, the NLGF disbursed **€2,43 million** directly to local actors, amounting to 72% of the total facility budget expenditure. These funds supported **648 grants** and initiatives, including **139 emergency-response actions** and **509 resilience-building actions,** reaching approximately 2.46 million individuals, 56,739 households, and 1,455 communities.

The funded initiatives spanned diverse thematic priorities, including advancing gender equality and youth and women-led leadership, promoting livelihoods and economic inclusion, advancing locally led solutions for food security, water and sanitation, biodiversity conservation, and sustainable energy, responding to climate-induced and socio-economic emergencies, defending environmental and human rights, and strengthening social accountability between citizens and institutions. Grant sizes ranged from awards under €2,000 to larger small-grant packages of up to €9,000, depending on the country context and the design of the fund manager.

Women's collectives, youth groups, informal associations and organisations of persons with disabilities accounted for **more than two-thirds of direct beneficiaries**, while nearly **one-fifth** of projects explicitly targeted Indigenous communities alongside environmental defenders, rural cooperatives, informal workers and youth-led associations.

Facility-wide outcomes and portfolio overview

- Fund managers had significant agency to design the NLGF to suit their context, resulting in a wide diversity of modalities. Kenya hosted the largest portfolio (280 initiatives), followed by Paraguay (131) then Brazil (63), Indonesia (62), Zambia (57), Bolivia (37) and Tunisia (18).
- Each fund manager focused on different operating scales but each demonstrated consistent evidence that local fund managers could reach actors typically excluded from mainstream climate finance.
- Emergency disbursements were made within **48–72 hours,** using low-barrier channels such as WhatsApp voice notes and video submissions.
- Across the NLGF, initiatives commonly addressed water access and management, food security and livelihoods, ecosystem restoration, waste management, defender protection, women's leadership, social mobilisation and local governance.
- NLGF data links stronger results to trust-based accompaniment: local outreach, iterative proposal support, flexible disbursement, adaptive scheduling and continuous communication through accessible channels.

Key lessons from the NLGF for reforming climate finance pathways

- Simplifying application and grant-management processes materially improves accessibility for first-time and low-capacity grantees.
- Flexible, context-sensitive delivery allows small grants to respond to both acute emergencies and chronic structural vulnerabilities.
- Accompaniment matters: mentoring, capability strengthening, translation, troubleshooting and proportionate reporting requirements are essential components of effective locally led finance and sustainability.
- Small grants can generate outcomes beyond direct delivery, including partnerships, policy influencing, organisational learning, and follow-on funding opportunities.

Reported changes on the ground

The grantee survey, completed by 192 grantees across seven countries, suggests that the NLGF was widely seen as accessible, relevant, and capable of supporting meaningful local results.

Most importantly, 95% of respondents reported changes in key adaptation areas, including increased climate awareness (78%), ecosystem restoration (65%), behavioural change in environmental practices (52%), enhanced climate-smart agriculture and food security (47%), improved preparedness for floods and climate risks (41%), stronger collective action and local governance engagement (34%), and greater participation of women and youth (29%).

Small grants had catalytic effects beyond the original projects: funded initiatives resulted in 346 new alliances; on average 75% of surveyed grantees formed new alliances and 28% secured follow-up funding. Small grants led to institutional effects, including initiatives being integrated into municipal development plans in Indonesia and Paraguay, informing local resilience hubs and municipal waste-management reform in Brazil, and helping pilots move toward formal policy collaboration in Zambia.

Reaching the frontlines for accessible finance

The NLGF was intentionally structured to reach those who are systematically excluded from conventional climate finance systems. More than two-thirds of direct beneficiaries were women's collectives, youth groups, informal associations, or organizations representing persons with disabilities. In addition, one in five projects specifically focused on Indigenous communities, often in combination with other underserved groups such as environmental defenders, rural cooperatives, informal workers, and youth-led initiatives.

Intentional selection criteria, multilingual outreach, and accessible application formats dismantled long-standing procedural barriers. Application materials were translated into local dialects, ensuring linguistic inclusion. Applicants could submit handwritten forms, short videos, or voice notes, allowing participation from groups with limited literacy or digital access.

From women-led reforestation cooperatives in Zambia to youth-run water enterprises in Kenya and Indigenous agroforestry networks in Bolivia and Paraguay, grantees translated local knowledge into practical, context-specific resilience solutions.

To ensure that finance for locally led action is not only fairer but also more effective, inclusion must be embedded across both funding architecture and implementation. This requires dedicated financing windows and affirmative mechanisms for women, youth, Indigenous peoples, and informal groups, alongside earmarked resources for participation processes, community facilitation, and gender-transformative interventions and approaches.

Capacity-strengthening for local organisations, particularly informal actors, should be paired with simplified compliance systems that accommodate oral reporting, multilingual submissions, and non-formal organisational structures, ensuring that inclusion translates into resilience and does not deepen entrenched inequities and power dynamics.

NLGF Kenya - Image courtesy of Shack Dwellers International Kenya (SDI-Kenya)

Delivering climate resilience through locally defined, adaptive programming

Survey data indicate that around 70 percent of initiatives achieved measurable progress in both safeguarding livelihoods and strengthening climate resilience. Examples include solar-powered irrigation schemes in Zambia, mangrove restoration linked to coastal livelihoods in Indonesia, urban waste-recycling social enterprises in Brazil, and drought-resilient women's farming networks.

In Tunisia, these initiatives combined immediate coping benefits with longer-term adaptive learning, enabling communities to refine practices over time as conditions changed. The results demonstrate that small grants, when locally defined and contextually relevant, yield multidimensional dividends, empowering communities to manage risk, strengthen cohesion, and reduce dependency on external aid.

A critical factor underpinning these results was flexible and adaptive programming. The NLGF implemented streamlined application processes, simplified reporting formats, and context-responsive definitions of "emergency," allowing interventions to evolve as local realities shifted. In Indonesia and Kenya, timelines and reporting requirements were adjusted to align with agricultural and seasonal cycles. In Paraguay, an emergency water response was expanded into a broader resilience programme once deeper structural vulnerabilities became evident.

While flexibility can introduce challenges related to consistency and oversight, the NLGF mitigated these risks through structured feedback loops, mentoring support, and learning-oriented monitoring. Evidence from the Facility demonstrates that adaptive programming, when underpinned by proportional accountability, enhances both efficiency and effectiveness, allowing climate finance to respond to lived realities rather than rigid, pre-defined planning assumptions.

At an institutional level, scaling such approaches requires donors and intermediaries to adopt more agile governance arrangements, including the provision of flexible finance at the local level alongside robust, iterative learning systems. When effectively designed, adaptive programming not only accelerates the delivery of climate finance but also strengthens its impact, enabling interventions to evolve in response to emerging challenges and grounded local experience.

Trust-based accountability, accompaniment and institutional learning

A defining feature of the NLGF was its philosophy of trust before control. Instead of front-loaded documentation and audits, the Facility introduced progressive compliance pathways aligned with each grantee's capacity. Simplified reporting templates, peer verification, and participatory field visits replaced rigid due diligence frameworks.

Mentorship and WhatsApp-based coaching replaced one-off training, providing real-time guidance throughout the project cycle. Grantees could revise budgets and timelines in response to inflation, droughts, or floods without bureaucratic penalty. This flexibility transformed compliance from an administrative burden into a learning partnership. Fund managers viewed adaptive management not as an exception but as a principle of equity, recognizing that agility is integral to resilience.

Survey results show that over **75 percent of grantees rated the fund manager's communication and support as "very satisfactory."** Qualitative interviews further highlight that this trust-based approach reduced administrative anxiety, improved transparency, and built local ownership. Accountability evolved from a top-down requirement into a shared responsibility.

Fund managers themselves reported enhanced learning, developing new appreciation for how relational oversight can build both financial integrity and community confidence. The evidence indicates that progressive oversight and accompaniment can replace compliance-heavy models without weakening accountability, offering a viable alternative for scaling trust-based climate finance. However, sustaining these relational approaches depends on intentional resourcing, as accompaniment required substantial time and management investment, particularly for grantees operating in hard-to-reach contexts where regular visits or consistent communication are not always feasible.

Institutionalising trust-based financing and partnerships requires clearly defined roles, robust accountability frameworks, and sustained investment in intermediary capacity. This entails moving beyond transactional grant-making towards relational partnerships grounded in mutual trust, learning, and shared responsibility. Providing intermediaries with technical assistance, flexible budgets, and outcome-oriented reporting mechanisms strengthens their stewardship role and enables them to build, maintain, and deepen relationships with local actors, ensuring both financial integrity and effective, context-responsive climate action. When financing approaches are inclusive and participatory, positioning marginalised groups as agents of change rather than passive recipients of aid, the transformative potential of locally led adaptation can be fully realised.

These experiences show that decentralising finance through trusted local funds, intermediaries and networks strengthens access, accountability, and policy uptake, while enabling micro-level innovation to scale into macro-level influence. When adequately resourced and supported, intermediaries act as stewards rather than gatekeepers, connecting community action to broader systems of climate governance. Fund managers across all countries reported that these decentralised networks enabled improved cross-sectoral coordination, more equitable participation in planning, and new entry points for policy dialogue between communities and governments.

Effective devolution of adaptation finance to the local level depends not only on the volume of resources mobilised, but critically on the extent to which participation and local ownership are prioritised. Decentralisation enables climate finance to operate at the pace and scale of local realities, connecting small, context-specific actions to broader system change through partnerships that are both horizontal and enduring. It is essential to acknowledge the administrative burden borne by local intermediaries and to ensure that they are adequately resourced to effectively channel funds and build capacity at the local level.

Decentralised delivery and institutional effects: from local action to system change

The impacts of the NLGF extended beyond individual projects, catalysing new relationships between civil society, local governments, and national policy processes. In Indonesia and Paraguay, grantee initiatives were integrated into municipal development plans, securing continuity beyond the grant period. In Brazil, microgrants to women's environmental collectives helped create local resilience hubs and informed municipal waste-management reforms. In Zambia, partnerships between grantees, local councils, and the Food and Agriculture Organization (FAO) transformed pilot projects into formal policy collaborations.

Decentralised delivery through Fund Managers and other local intermediaries was central to achieving these outcomes. Fund Managers played a pivotal role in the NLGF, with funds administered through national and regional entities selected for their long-standing engagement with grassroots organisations, deep contextual knowledge, and proven fiduciary capacity. Fund Managers supported outreach, application processes, due diligence, grant disbursement, and ongoing monitoring.

The VCA's institutionalised network of more than 200 long-term grantees supported for several years prior to the launch of the NLGF, provided a critical entry point for accessing and engaging communities. In parallel, many fund managers leveraged their own established institutional relationships with community groups and local leaders. Together, these networks enabled the Facility to reach historically marginalised and hard-to-access actors, strengthen local ownership, and ensure that resources were directed to where they were most needed.

In Tunisia, where legal constraints prevented unregistered groups from receiving funds directly, local associations acted as umbrella intermediaries, channeling resources to informal initiatives while providing ongoing mentoring and fiduciary support. In Brazil, partnerships with regional networks and civic associations enabled remote communities to access finance without adding additional layers of international intermediation.

Table 1: Overview of the NLGF in figures

Total facility value	3.37 million euros	**Total disbursed to local grantees**	2.43 million euros (72% of total budget)
Countries	7	**Funded initiatives**	648
Average grant size	€2,100 to €9,114	**Direct beneficiaries**	2,46 million individuals 56 739 households 1455 communities
Emergency initiatives	139	**Data collection samples**	192 grantee surveys 62 grantee interviews 7 Fund Manager interviews 6 Fund Manager surveys
Resilience initiatives	509	**Typical grant duration**	3-9 months

Policy actions to scale locally led climate action

Based on the insights from the NLGF, the following actions provide practical guidance for national governments, donors, climate finance institutions, and implementing partners. These recommendations outline crucial policy shifts, institutional reforms, and collaborative mechanisms necessary to expand and sustain the impact of locally led climate action.

For national governments

National governments possess the policy and institutional tools to integrate finance for locally led climate action into national systems. They should:

- **Reform local finance and budgeting systems:** Institutionalise decentralisation and climate adaptation at the subnational level. Establish predictable budget lines for community-driven initiatives and incorporate small-grant mechanisms into local development plans and national climate funds.
- **Recognise and work with community-based actors:** Acknowledge the legitimate role of informal and community-based groups, such as women's cooperatives, Indigenous networks, and youth groups, in building resilience.
- **Institutionalise participatory governance:** Ensure communities, including women, youth, Indigenous peoples, persons with disabilities, and informal actors, are represented in resource allocation and oversight processes to foster inclusion, trust, transparency, and local accountability.
- **Invest in local capacity:** Provide training in financial literacy, data collection, and adaptive management for municipal officials and community organisations. This is important to reduce dependence on external actors, strengthen municipal leadership, and ensure that climate finance results in long-term, locally rooted resilience rather than short-lived project outputs and outcomes.

By implementing these measures, governments can transform climate finance from a top-down model into a locally grounded system of adaptive governance, empowering communities to co-create and implement climate solutions.

NLGF Indonesia - Image courtesy of Samdhana Institute

For implementing partners

Implementing partners, including non-governmental organizations, intermediary organizations, and fund managers, act as liaisons between financial institutions and frontline communities. To enhance impact, sustainability, and learning, they should:

- **Strengthen peer-to-peer networks and horizontal learning platforms** by connecting grantees from diverse sectors and regions, as demonstrated by the NLGF, these interactions promote co-creation, innovation, and collaborative problem-solving.
- **Institutionalize sustainability:** Ensure that successful small grants evolve into sustained initiatives. This includes guiding grantees through resource mobilization, partnership building, and integration into local or national plans.
- **Facilitate digital inclusion and communication:** Utilize accessible methods such as WhatsApp, community radio, or local languages to involve remote and marginalized groups.
- **Invest in adaptive capacity strengthening**: Provide targeted capacity strengthening on financial literacy, compliance, and monitoring to help small or informal groups mature institutionally.
- **Embed community-led MEL systems:** Prioritize learning, reflection, and evidence gathering that inform program adaptation and policy dialogue.
- **Promote safety and equity:** Establish safeguards, duty-of-care mechanisms, and accountability practices that protect grassroots leaders, human rights defenders, and environmental activists, particularly those operating in restrictive or high-risk contexts, without adding additional burden to organisations.

Through these measures, implementing partners can bolster the foundations of locally owned resilience, ensuring that small grants foster lasting change by combining local knowledge, adaptive systems, and collaborative governance across multiple scales.

For donors and climate finance institutions

Donors and international climate finance institutions are crucial in shaping the global funding architecture to serve local actors. To improve accessibility, effectiveness, and sustainability, they should:

- **Promote flexible and adaptive programming:** Allow modifications to timelines and project scopes in response to evolving local circumstances, including context-driven definitions and evolving vulnerabilities.
- **Provide long-term financial accompaniment:** Support multi-cycle or phased grants to enable communities and local organisations to consolidate capacity, institutionalise practices, and expand their reach over time.
- **Simplify reporting requirements:** Reduce administrative burdens across funding types, allowing grantees to focus on implementation, learning, and innovation.
- **Embed technical accompaniment:** Integrate accompaniment within funding arrangements to enhance long-term institutional strengthening, equipping grantees with skills in financial management, governance, and proposal development.
- **Apply equity-based allocation rules:** Require equity scoring in funding decisions and mandate gender and youth-responsive budgeting across climate finance frameworks.
- **Promote localisation principles:** Provide direct access to funding for local actors, devolve decision-making to the lowest level possible, and prioritise inclusion and equity.
- **Adopt proportionate Monitoring, Evaluation, and Learning (MEL) systems:** Value both quantitative data and qualitative insights, such as storytelling and outcome harvesting, as credible evidence of impact.

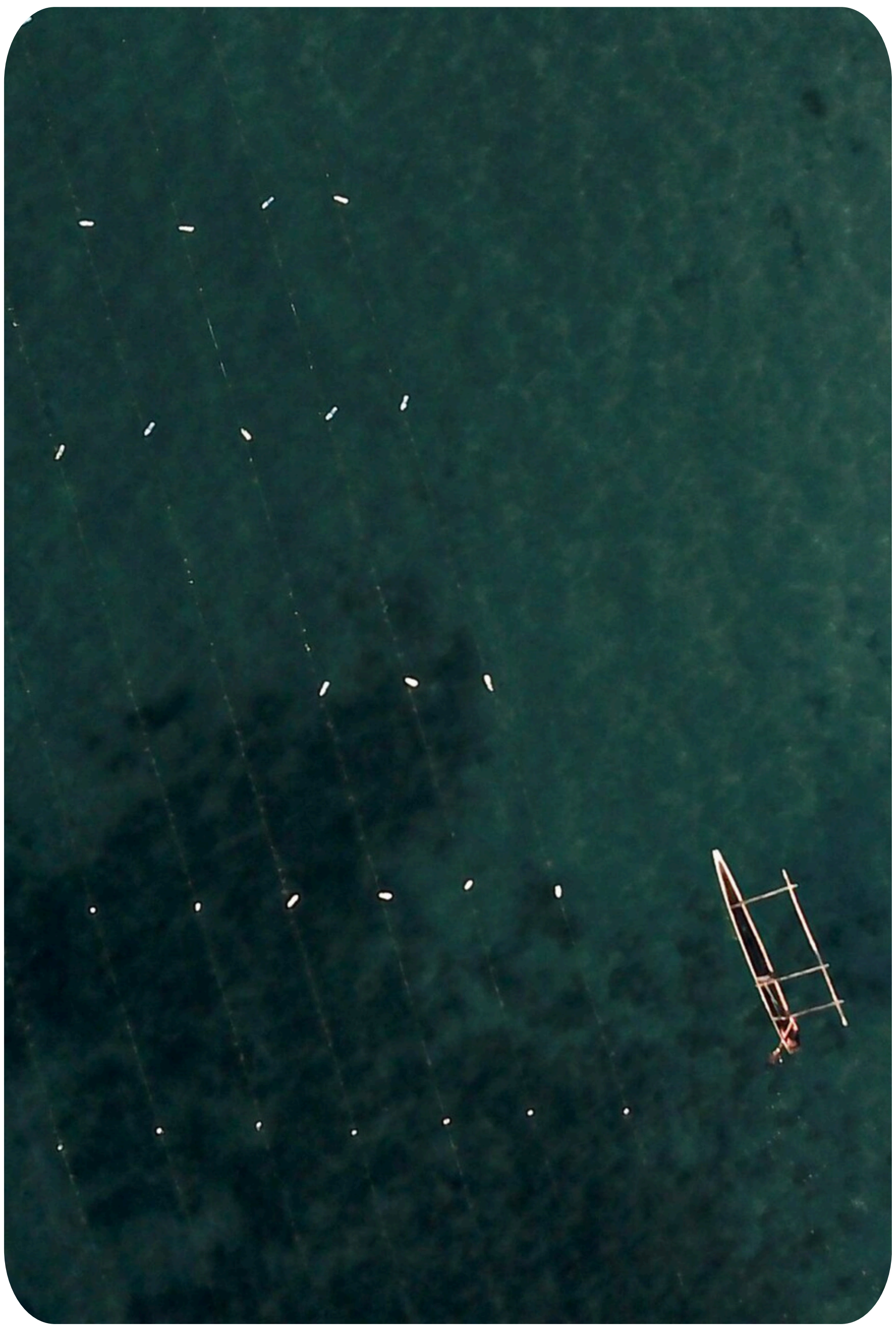
Embracing these actions will enable donors to shift from short-term project financing to long-term partnership models, empowering communities to lead adaptation agendas, and ensuring that climate finance is both transformational and equitable.

Conclusion

The evidence from the NLGF shows that locally led climate action is no longer a pilot concept; it is a proven and scalable model that requires funding. When resources reach communities directly, results are faster, more relevant, more socially legitimate, and more durable than those produced by centralized systems. Equity, flexibility, and accountability are not obstacles to efficiency; they are the conditions that enable resilience.

By shifting power and resources to women, youth, Indigenous peoples, and informal actors, the Facility turned small grants into institutional influence, connecting community action to municipal plans, national adaptation priorities, and global climate goals. As global negotiations advance on the Loss and Damage Fund and the Global Goal on Adaptation, the NLGF offers a tested pathway for aligning climate finance with equity, effectiveness, and the lived realities of those most exposed to risk.

The question is no longer whether locally led climate action works; it does. The task now is to institutionalize it, scale it, and fund it.



NLGF Indonesia - Image courtesy of Samdhana Institute

Call to action

1. Redirect climate finance to local actors as primary recipients
Create direct-access financing windows for grassroots organizations, rather than routing funds through multiple intermediaries. Proportionate fiduciary safeguards should enable access without excluding local actors.

2. Embed flexibility as a core design principle
Climate impacts are unpredictable; finance must be able to adjust accordingly. Allow rolling timelines, budget reallocations, and implementation shifts so that projects can respond to real-time shocks and opportunities rather than fixed paperwork cycles.

3. Replace compliance-heavy auditing with learning-oriented accountability
Shift from compliance-heavy financial reporting toward accountability systems grounded in progressive oversight and ongoing mentorship. Accountability should build capacity, reinforce trust, and enable learning rather than erect bureaucratic barriers that disadvantage local actors with limited administrative resources.

4. Ring-fence finance for women, youth, and informal economies
Equity must be guaranteed structurally, and not just an aspirational objective. Dedicated funding quotas, affirmative selection criteria, and gender- and youth-responsive budgeting are required to correct systemic exclusion in current finance flows.

5. Strengthen local intermediaries and funds rather than external layers
Where direct financing is not feasible, funds should be channeled through trusted local NGOs, and community-based organisations with established legitimacy. These actors are embedded in local contexts, understand community dynamics and risk, and can ensure transparency and accountability without introducing additional cost and administrative layers often imposed by international intermediaries.