Materials on Development Finance

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Indigenous Peoples & local communities – key players for biodiversity What can funding look like?

Increasing international importance

The Conference of the Parties (COP) of the Convention on Biological Diversity (CBD) in Montreal in 2022 is considered a milestone in international biodiversity conservation. There, the international community agreed on the Global Biodiversity Framework (GBF), defining a vision and agreeing to almost two dozen targets. The aspiration is that by 2050, people should be able to live in harmony with nature again. The intent is to pave the way towards this goal with 23 concrete targets by 2030. During the subsequent COP in Cali in 2024, the international community updated and further elaborated on details of the GBF.

Since Montreal, Indigenous Peoples and local communities (IP&LC) have been given a more prominent role in biodiversity conservation as the Convention on Biological Diversity is implemented. They have been mentioned around 20 times in the GBF – and not only in the general section, but also within specific Targets, such as the important sections on conservation and sustainable use, or Target 19, which is about increasing the financial resources to implement National Biodiversity Strategies and Action Plans and to halt biodiversity loss. Eight of the 23 targets recognise the central role of IP&LCs for biodiversity conservation.

In the Colombian city of Cali, the international community decided to emphasise the importance of IP&LCs and to further enhance their role. A committee previously serving as a CBD Working Group on the role of IP&LCs has been upgraded to become one of the three permanent Subsidiary bodies of the CBD.



Peace with Nature – the theme of CBD CoP16 in Cali

Finally, a Cali Fund was added, which the international community made operational in order to compensate for the use of what is known as digital sequence information (DSI). That is genetic information gathered from organisms that plays a key role in certain economic sectors such as the pharmaceutical, agricultural or chemical industries. So far, developing countries have only benefited insufficiently from the profits generated from the use of DSI. The Cali Fund, into which the companies concerned are to make voluntary contributions, intends to change this. This would benefit developing countries, but also IP&LC, with whom up to 50% of these revenues must be shared.

All of this together significantly enhances the rights of Indigenous Peoples and local communities and their role in biodiversity conservation in international policy.

Good reasons for increasing importance

The greater appreciation is not solely due to human rights considerations: IP&LCs are proven guardians of biodiversity; this has been repeatedly demonstrated in various studies, which have continually led to the following results: Although Indigenous Peoples make up only about 6% of the world population, they manage or have ownership rights to about a quarter of the world's land surface, which overlaps with about 40% of all terrestrial protected areas and ecologically intact landscapes. 91% of these are in good or fair ecological condition. These and other study findings make it sensible for the international community to focus more than before on IP&LC with regard to biodiversity, in order to achieve the important conservation and sustainable use objectives of the GBF; it further allows the global community to benefit from the special knowledge of IP&LCs of how to interact with nature.

About the term IP&LC

The acronym stands for Indigenous Peoples and local communities and has established itself in international environmental policy fora in recent years. IPs are Peoples with historical, cultural and/or spiritual ties to specific areas. They represent more than 5,000 cultures in around 90 countries, most of them in Asia. Indigenous People received important recognition through various legally binding international multilateral agreements. In particular, Convention 169 of the International Labour Organisation (ILO) of 1989 expressly protects the rights of Indigenous Peoples and stipulates that they must be consulted in any decisions that affect their lives and rights. ILO Convention 169, which Germany ratified in 2021, grants IPs the right to self-identification and deliberately does not define Indigenous Peoples but only specifies characteristics: e.g., the descent from Populations, who inhabited the country at the time of conquest, colonisation or

the establishment of present state borders; or the retention of some or all of their own social, economic, cultural and political institutions. LCs are communities that live in areas that they use and manage collectively, often without having “Indigenous” status or identifying as Indigenous. Nevertheless, IPs & LCs are often referred to together because they are closely linked to nature, play important roles in the conservation and use of natural resources and are particularly affected by environmental degradation.

Barriers to participation

However, what sounds coherent and logical on paper is not necessarily easy to implement in practice. IP&LCs are often “overlooked” or even excluded in a national context. The following obstacles in particular prevent IP&LCs from effective participation:

- **Unclear land rights:** In many countries, Indigenous Peoples do not have formal rights to their traditional lands. Only about 11% of Indigenous or co-managed land is formally recognised, according to calculations by the Rights and Resources Initiative. The number has only increased insignificantly since 2015.
- **Access restrictions:** Protected areas are still frequently designated and managed without consultation with the communities living there. In these cases, IP&LCs are regularly denied traditional access and tenure rights to their territories and sacred sites they traditionally occupy.
- **Political exclusion:** Indigenous voices are repeatedly ignored in policy decisions; frequently there is a lack of mechanisms for strengthening their representation and integrating their perspectives into national biodiversity strategies or practices.
- **Knowledge not recognised:** Indigenous knowledge is often only conveyed orally, not recorded in writing or recognised as equivalent; conservation concepts are mostly based on classic research and ignore local and traditional ecological knowledge.
- **Inadequate financing:** Although it is becoming increasingly clear that IP&LCs play an important role in conserving biodiversity, one of the biggest problems faced by IP&LCs is the lack of financing. Many of them have no or inadequate access to funding, which continues to go, for the most part, to governmental or international supporting organisations. Sometimes IP&LCs are simply ignored, sometimes they fail to gain access due to complex conditions and application procedures. Ultimately, IP&LCs receive less than 1% of international climate funding and only around 6% of international biodiversity funding from OECD Member countries.



An Indigenous representative at the United Nations.

Risks when providing support

Since the adoption of the GBF at the latest, there is a need to involve IP&LC more in political and financial decisions to preserve and sustainably use biodiversity. That is why international donors and financiers, including Germany and KfW, are now increasingly thinking about how this could be achieved. After all, there are a number of risks that need to be considered.

Risks include the complexity of security and law enforcement issues. One challenge is that in many countries threatened species such as rhinos, tigers, gorillas and rare plants are difficult to protect. This often requires strict controls by armed rangers, who thus gain a position of power and - very unfortunately - occasionally abuse it. There are repeated cases where security forces or law enforcement staff are accused of violating human rights. Sometimes law enforcement staff also bear prejudices against (some) IP&LCs, prompting them to exploit their position of authority. It is therefore absolutely essential to keep a close eye on the complexity of security and law enforcement during project planning and implementation.

Another challenge is access to protected areas, including land use and land tenure agreements. As many IP&LCs rely on the land on which they live for their existence, they need defined rights and access.

Because conflicts can easily arise, mutual trust and respect are needed between law enforcement staff, local authorities and IP&LCs. This trust is most likely to be established through a rule-based participation and clear mechanisms in the event of abuse. KfW-supported projects therefore have what is known as a “Stakeholder Engagement Plan”, which specifies participation duties and obligations. This increases the chances of a positive and supportive project outcome with sustainable effects and prevents potential social tensions.

In addition, there are institutionalised complaint mechanisms that are also geared towards human rights requirements in projects supported by KfW. They give IP&LCs the opportunity and means to report violations or injustices and ensure that such cases are investigated. This approach increases trust from the outset.

If projects have an impact on the territories, resources or rights of Indigenous Peoples, the principle of “free, prior and informed consent” (FPIC) must be applied. This means that a decision on a project must be made without coercion, pressure or manipulation and that approval must be obtained in a culturally appropriate manner before a project or measure begins. Finally, the Community concerned has the right to accept or reject a project. For several years now, KfW Development Bank has required that projects apply the FPIC principle, which is anchored in KfW’s Sustainability Guidelines.



Growing traditional varieties in Latin America.

Central America: versatile cultivation

In Central America, Indigenous Peoples and small farming communities receive support when they farm with traditional knowledge

and sustainable methods. That benefits biological diversity. To this end, KfW has launched a regional programme on behalf of the German Federal Government whose purpose is to promote agrobiodiversity, which preserves old and locally adapted crop varieties. The programme has three objectives: to improve productivity on traditional farms, to support further processing and marketing of their products, and to promote the use and mutual sharing of knowledge about adapted crop plants and traditional farming practices. It was implemented in Belize, Costa Rica, El Salvador, Guatemala, Honduras and Panama. More than 30,000 people benefited from it.

In addition, there are highly practical challenges to consider when supporting IP&LCs. One of these is monitoring. How is biodiversity conservation or change in biodiversity measured? What criteria have been established? What needs to be taken into account? Many monitoring systems ignore Indigenous, traditional and local knowledge. For example, a satellite image may show a forest as intact, even though species important to Indigenous Peoples have already disappeared. Furthermore, certain species and locations may have a particular ecological, medicinal, food security or cultural significance for IP&LCs. They may also have traditional or symbolic value. In addition, IP&LCs frequently have limited access to power and lack the digital tools and training needed to collect data. Biodiversity monitoring therefore requires special sensitivity and indicators that combine local, traditional and Indigenous knowledge with modern technologies.

Direct financing is still difficult

One of the biggest challenges for donors involves financing IP&LCs directly. IP&LC organisations are not large enough for most international funds and may frequently lack formal status. In addition, many donor systems work via governments, state institutions or perhaps intergovernmental (IGOs) or non-governmental organisations (NGOs), but not via indigenous Peoples or local communities.

For this reason, it will be important in the future to develop simpler, more targeted funding mechanisms to which IP&LCs genuinely have access. This could be via “pooled funding” in which various IP&LCs are supported together. The opportunities that arise from promoting IP&LCs for biodiversity conservation are enormous and well documented. It is therefore very rewarding to be innovative in this area. Another option is to compel participating IGOs or NGOs to involve IP&LCs and their interests and to design and undertake projects in a way that minimises risks for IP&LCs. KfW has also been struggling with directly financing IP&LCs so far, as it usually handles larger amounts. However, the Legacy Landscapes Fund (LLF), founded in 2020 with the support of KfW Development Bank, is an example of how this can work.

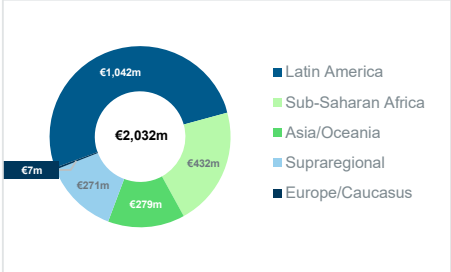
The LLF supports IP&LCs

In 2025, the Legacy Landscapes Fund (LLF) published an invitation to tender exclusively for IP&LC project proposals. This allows IP&LC organisations to receive direct funds for the administration of their territories. Specifically, IP&LC organisations are to receive one million USD per year from 2027 onwards over a period of more than 15 years. With this call for funding, the LLF is responding to the importance of IP&LCs for the protection and conservation of nature. With funding from private and public sources, the LLF finances globally significant protected areas on a long-term basis, thereby making an important contribution to the conservation of biodiversity.

KfW’s current portfolio

KfW Development Bank’s biodiversity-related portfolio currently consists of 367 ongoing nature conservation projects with a total volume of close to EUR 4.5 billion. With 143 projects, more than a third of these are related to IP&LCs. In terms of funds, this corresponds to around EUR 2 billion or around 46%. The share of IP&LC-related projects has increased overall since 2020. Regionally, most of the funding goes to Latin America, followed by Sub-Saharan Africa, Asia/Oceania and Europe/Caucasus.

Breakdown by region



Specifically, KfW Development Bank’s support encompasses the promotion of participatory land use plans, the awarding of contracts for land use and collective tenure use rights, as well as the clarification of land use conflicts on the edge of protected areas. IP&LCs are often interested in ensuring that neighbouring communities have equal access to resources and to the benefits of support programmes, e.g., measures that generate income, market traditional products or promote the establishment of schools, health centres or wells for IP&LCs.



A village community meeting in Lao PDR.

Lao PDR: supporting communities

In recent decades, a lot of forest has been lost in Lao PDR due to the conversion of forest areas for agriculture, among other things. Uncontrolled logging caused significant degradation of the remaining forests. However, this threatens the livelihoods of many people in rural areas who are dependent on intact forest ecosystems. This is why the government relies on cooperation with local village communities – and is supported by KfW. In the provinces of Luang Prabang and Sayaboury, thousands of villagers are committed to the sustainable management of their village forests. This is done in cooperation with forestry offices. The aim is to rebuild the volume of timber in the forests so that wood can be used sustainably in the medium term. At the same time, smallholder farms and small plantations as well as agroforestry are supported. Local

conservation agreements also apply to promote the conservation of biodiversity in natural forests. 70 villages are involved. In the current phase, close to 30,000 people are expected to benefit from KfW support.

Potential for more support

In accordance with the GBF, international commitment to IP&LCs could become even stronger in the following areas:

- **Regional planning:** In addition to spatial planning itself, IP&LCs must be involved with regard to the clarification of land rights and the development of map material.
- **Sustainable use:** This primarily concerns the support to areas that can be managed and used by IP&LCs. However, it is also about putting a greater emphasis on IP&LCs' traditional knowledge in the use of natural resources.
- **Traditional territories:** Indigenous protected areas or areas protected or managed by Indigenous Peoples and/or local communities (e.g., Indigenous and Community Conserved Areas) could benefit directly from funding. Support towards national governments or organisations is also conceivable if they embark on this path of area conservation.
- **Traditional knowledge:** Until now, traditional knowledge has hardly been applied in the management of biodiversity, e.g., of wild animal populations or medicinal plant stocks, or of forests and protected areas. This is a field where support could be made even more effective by drawing on centuries-old knowledge.
- **Financing:** In the future, greater importance should be given to developing concepts for a more targeted direct financing of IP&LCs, e.g., by providing funding directly to their umbrella organisations, launching special direct funding calls for Indigenous Peoples, or implementing delegated management and co-management models with IGOs or NGOs.
- **Participation:** Granting IP&LCs equal participation in decision-making processes with relevance for biodiversity conservation would only be fair and essential due to their special and recognised competences and impacts. The international donors could act as movers and shakers here – where necessary.



Namibia's rich biodiversity includes the White Rhinoceros, which is listed as 'Near Threatened' on the IUCN Red List.

Namibia: promoting community forests

Over 40% of terrestrial area in Namibia is protected. The country thus now occupies a top position not only in Africa, but also worldwide in this regard. This is achieved with more than 20 national parks, but also by means of community protected areas and community forests. The local population is involved, and plays a key role in decision making. These areas - so-called "conservancies" - are managed by local residents and are regarded as a model for community-based nature conservation and community-based nature resource management (CBNRM), where people, nature and the economy benefit in equal measure. Each “conservancy” has an elected management committee responsible for the monitoring and valorisation of wildlife, the distribution of income and the resolution of conflicts. Some of the revenue goes to the community, while another portion is reinvested in conservation. Over many years, KfW has supported all 86 community protected areas in various ways.

Conclusion

In recent years, IP&LCs have seen greater political attention and international recognition for their role in nature conservation. This is because it is now undisputed that they play a central role in safeguarding global biodiversity. Without them, the goals of the CBD's Global Biodiversity Framework cannot be achieved. The associated increase in significance has already become established through multilateral policy debates on the international stage, and this is undoubtedly progress.

However, much remains to be done to translate the progress achieved at the international policy level into implementation action on the ground. This applies to legislation on the recognition and participation of IP&LCs in partner countries, as well as to the approach adopted by donors. International financial institutions such as KfW are called upon to develop suitable concepts and establish cooperation formats that do justice to the diversity of IP&LCs. These, in turn, must adapt to international funding practices. Conditions must therefore be created at all levels to ensure that IP&LCs receive stronger support in the medium term in recognition of their important roles and experiences.

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