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Social protection and climate change financing: Synergies and challenges

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A double challenge

The human cost of climate change is stark, with increased poverty and displacement and severe risks to health and livelihoods all predicted. Climate change reproduces existing inequalities, with vulnerability to its effects driven by poverty, inequality and social status (Intergovernmental Panel on Climate Change (IPCC), 2022). These factors increase the vulnerability of the poor and subject those in developing countries to greater socio-economic and environmental risks.

Social protection (SP) and climate adaptation are inextricably linked (International Labour Organization (ILO), 2022; Sengupta and Sivanu, 2024: 7), with SP systems able to support adaptation by reducing the impact of climate change via (for example) cash transfer programmes, education and access to health services (Sengupta and Sivanu, 2024). A key component of this debate is funding fragmentation arising from the proliferation of climate funds and from multiple policy objectives that climate and social policies seek to address. This article explores the potential for synergies between adaptation and SP financing, by exploring current financing options and potential new approaches to mobilising resources for SP.

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Simultaneously addressing adaptation and SP

Several discourses aim to draw together SP aims with those related to climate change: Adaptive Social Protection (ASP), Climate-Responsive Protection Framework (CRPF) and the Shock-Responsive Social Protection Framework (Bowen et al., 2020; Tenzing, 2019). However, there are relatively limited examples of these in practice, and few at scale. Academics continue to debate how climate change and SP policies can be better aligned (Tenzing, 2019), but at the policy and practice levels, an increasingly lean funding environment hampers significant progress. So how might funding be harnessed to bring these policy areas together? A number of options are explored below.

Drawing on existing climate funds

An increasingly popular argument is that global climate funds could be used to extend the reach of SP (Aleksandrova et al., 2024; Sengupta and Sivanu, 2024). Indeed, two climate funds – the Global Environment Facility (GEF) and Green Climate Fund (GCF) – already support the financing of SP.[1] It is also increasingly common to see discussions of SP within climate discourse, including in climate finance discussions (Aleksandrova et al., 2024).

However, at present, there are limited examples of these funds actually supporting SP. Aleksandrova et al. (2024) argue that the need for GCF projects to distinguish between climate change and development, and to demonstrate adaptive effectiveness, can limit access to funding, meaning that the fund is not suitable for financing national SP budgets.

The Loss and Damage fund, introduced in 2022, could yield more opportunities. While its scope currently is unclear, it has the potential to support the development of SP systems. Huber and Murray (2024) argue that where SP systems exist, both human rights and climate justice outcomes can be achieved if loss and damage funds are channelled through them.

However, climate finance should not be regarded as a panacea, and long-standing concerns about the 'recycling' of funds where, for example, development funding is simply re-categorised as climate funding or vice versa remain relevant (Overseas Development Institute (ODI), 2010). Indeed, given the scale of change that ASP is likely to require, there is a clear need for additional funding and closer coordination with other sources of relevant funding (Aleksandrova et al., 2024).

There is potential, then, to draw together climate funds with ASP aims, and there are increasing opportunities to draw on climate finance to do this. However, given the scale of the challenge, what other options exist?

A global fund for SP

An alternative for mobilising additional funds would be some kind of Global Fund for Social Protection (GFSP) (Yeates et al., 2023). The initial proposal for a GFSP argued that it could close the funding shortfall for establishing SP floors in least-developed countries (LDCs) and serve as a reinsurance mechanism to underwrite SP systems against the risks of excess demand triggered by major shocks, which could include climate change-related disasters (Sepúlveda and De Schutter, 2012). Such a reinsurance mechanism could provide lower-income governments with the confidence to commit to rights-based SP systems in the face of uncertainty about the sustainability of financing should unforeseen shocks arise.

What is crucial is that adaptation financing (and climate financing in general) is not seen as competing with international financing for SP, but rather that the two are seen as overlapping, complementary and mutually reinforcing. Moreover, the availability of resources itself is an issue, with questions raised over the sufficiency of existing sources of climate funding, with calls for windfall taxes, debt for loss and damage swaps and other innovative mechanisms (United Nations Environment Programme (UNEP), n.d.).

The potential for transformation

There is an argument in the literature to harness the synergies between the idea of *transformation* in climate adaptation and *transformative* SP (Tenzing, 2019). Despite ASP's roots in rights-based approaches to SP, it has drifted back into a growth-oriented approach, whereby vulnerability is viewed narrowly in terms of income, assets and consumption (Bowen et al., 2020). This reflects the debates in the SP literature, illustrated by Devereux and Sabates-Wheeler's (2004) framework that seeks to incorporate *transformation* into current SP practices. They delineate the main different functions of SP, named the '3Ps':

- **Protection**: providing relief to those in deprivation
- **Prevention**: preventing vulnerable people from falling into deprivation
- **Promotion**: increasing income and capabilities to reduce future susceptibility to deprivation

The 3Ps fall into the growth-oriented approach to SP. Sabates-Wheeler and Devereux argue that a fourth function, *transformation*, should complement the 3Ps, to address structural inequalities that can create and enhance vulnerability. Against the backdrop of climate change, a multiplier of inequalities and vulnerabilities, their argument for transformation becomes even more compelling.

Conclusion

The synergies in the conversations around SP and climate adaptation support the hypothesis that coordinating the two agendas could create long-term collective resilience for communities impacted the most by the climate crisis. The ASP agenda, in its original form as a rights-based approach to SP, is a good framework through which to align the agendas. There has been some progress towards alignment. Global climate finance mechanisms such as the GCF and the GEF recognise and support SP; however, their engagement so far has many limitations. As highlighted above, there are high hopes for the ability of the Loss and Damage fund to support SP; however, this is yet to be realised.

A GFSP in some form, therefore, has the potential not only to support ASP but also to be transformative, through (a) providing a reinsurance mechanism for LICs, (b) supporting other funding streams to build sustainable SP systems and (c) supporting adaptation funds and policies to build long-term ASP systems. It is important, however, that any new funding mechanism works with existing (and future) climate funds, in order to cohesively create systematic change by leveraging multiplier effects, reducing cannibalism of funding allocated for other adaptation considerations and avoiding falling back into short-term coping strategies that are unable to build effective resilience.

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Note

1. The Adaptation Fund is perhaps the best fit within SP agenda; however, its constitutional remit is to fund ‘concrete’ adaptation projects and programmes. There is some evidence of a move towards SP projects in recent years, for example, in the Kyrgyz Republic (Sengupta and Sivanu, 2024); however, the vast majority of its projects remain focused towards physical infrastructure. The Adaptation Fund also struggles to access resources, only dispursing \$67 million in 2022 (as opposed to \$501 m for the GCF, and \$512 m for the GEF).

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