

CLIMATE CHANGE IN THE NORTHERN TRIANGLE

Recommendations for US Assistance

The countries of Central America's Northern Triangle—El Salvador, Guatemala, and Honduras—are highly vulnerable to the severe and worsening impacts of climate change. This trend is causing a growing humanitarian crisis in a region already wracked by poverty, inequality, and violence—and one which bears little responsibility for climate change, contributing less than 1 percent of global greenhouse gas emissions.¹ Climate change in the Northern Triangle also has implications for the United States, as it threatens the only source of livelihood and economic development for millions of people, contributing to instability in the region and exacerbating the forces driving migration from the Northern Triangle to the United States. From 2014 to 2020, an average of 311,000 people migrated from the Northern Triangle to the United States annually, with many fleeing extreme weather events.² Projections estimate that in the next 30 years, 3.9 million climate refugees will flee Central America due to the climate crisis.³

As part of US President Joe Biden's strategy to aid Northern Triangle countries, his administration has prioritized supporting climate change adaptation and mitigation in the region, although the details and execution of this approach are still underway. In its *Strategy for Addressing the Root Causes of Migration in Central America*, the administration outlined its pillars, objectives, and goals aimed at ameliorating living conditions in migrants' countries of origin to tackle the root causes of migration. This includes an objective to "Build Resilience to Address Climate Change and Food Insecurity," which aims to increase the resilience of agricultural production, resource management, and infrastructure, as well as to enhance renewable energy.⁴ To that end, in May 2021, the United States Agency for International Development (USAID) launched a new Northern Triangle Task Force focused on increasing the security, prosperity, and governance of the region via partnerships with the private sector and civil society. In addition, President Biden has promised to send \$4 billion in aid to Central America.

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Impacts of climate change on the Northern Triangle

Northern Triangle countries are already experiencing the devastating impacts of climate change, which leads to diminishing standards of living, food insecurity,

Foreword

I am pleased to present the policy brief “Climate Change in the Northern Triangle: Recommendations for US Assistance.”

This policy brief, the first in a series of three publications, describes the main challenges and provides broad recommendations for the US strategy on climate change adaptation in the region. It is based on inputs from the Task Force on Climate Change in the Northern Triangle, which is coordinated by the Inter-American Dialogue. This task force includes a diverse group of representatives from the Northern Triangle, including representatives of environmental organizations, rural, Indigenous and Afro-descendant communities, youth activists, and prominent former government officials and business leaders, as well as technical experts.

The main findings from the task force highlight three priorities: 1) Strengthen partnerships with civil society organizations; 2) Provide opportunities to vulnerable groups through climate assistance; and 3) Engage with the private sector and create incentives for investment.

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water shortages, and rising casualties. According to the Intergovernmental Panel on Climate Change (IPCC), weather patterns are likely becoming more extreme and unpredictable, with more frequent droughts and floods that cause dangerous landslides, reduce agricultural yields, and destroy infrastructure.⁵ After an irregular rainy season in Guatemala, for instance, farmers lost almost 80 percent of corn grown in the highlands.⁶ In El Salvador, 50 percent of corn and bean farmers lost half of their crop after Tropical Storms Amanda and Cristóbal in May and June 2020. Climate change has also impacted public health, with the emergence of diseases in non-endemic areas.

Looking ahead, these impacts are expected to worsen as global temperatures reach an average of 1.5°C around the early 2030s, according to IPCC projections. Under this scenario, the Northern Triangle region faces sea level rise, flooding in low-lying areas, and a receding coastline. Sea level rise threatens the population of fish, corals, mangroves, recreation and tourism, and disease control in Central America. Toward the end of the century, as temperatures in Central America rise between 2.1°C and 3.3°C, the Northern Triangle is expected to experience increased aridity and drought, increased fire-prone weather conditions, and more extreme weather events. High temperatures result in increased evapotranspiration, reducing water availability, raising food prices, and creating food insecurity. Water shortages also diminish hydroelectric power generation.

These impacts are most pronounced for marginalized groups, such as Indigenous and Afro-descendent communities, women, the elderly, and youth. In general, those living in rural communities in Central America, many of whom are Indigenous and Afro-descendent, are more vulnerable to climate impacts and face more difficulties in adapting. Lack of infrastructure able to withstand climate impacts makes storms especially dangerous in rural areas. Rural communities often rely on subsistence agriculture and natural resources, so when an extreme weather event strikes, their source of livelihood may be instantly destroyed. Without employment, formal education, or a social safety net, people affected by extreme weather events in rural areas have few alternative sources of income. Ethnic groups in rural areas are also at risk from longer term changes in the climate. For example, Garifuna communities living on the coast rely on subsistence agriculture and are threatened by coastal erosion and destruction of water basins.

Women are also particularly vulnerable to the impacts of climate change, as increasing numbers of women are left

alone to manage smallholder plots when men migrate in search of work. Likewise, young people, who make up the majority of the population in all three Northern Triangle countries, are growing up in a region increasingly impacted by climate change, leaving them with fewer economic opportunities in rural areas.

Challenges to improving climate change adaptation in the Northern Triangle

Governments in the Northern Triangle have made some advances in protecting their countries against the impacts of climate change. Guatemala, Honduras, and El Salvador have all drafted national adaptation plans. These countries are also receiving assistance for adaptation from international donors and funds, including USAID, the Global Environment Facility, Adaptation Fund, Climate Investment Funds, and the Green Climate Fund among others. However, assistance has been inadequate, and much more will be needed as climate change accelerates.

Given the scale of the challenge for the Northern Triangle to adapt to climate change, existing funds from international donors and lenders, the United States, and other government budgets and private capital, are

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insufficient. At the 15th Conference of Parties (COP15) of the United Nations Framework Convention on Climate Change in 2009, developed countries committed to a collective goal of mobilizing \$100 billion per year by 2020 for climate action in developing countries. By 2019, they only reached \$79 million per year, and growth of commitments slowed.⁷ Currently, only 25 percent of international climate funding goes towards adaptation

measures for developing countries.⁸ Public funds invested by the three countries in climate change adaptation are also low. Meanwhile, access to private capital in the region for adaptation or other investments is available to a very limited number of companies.

Climate funding has also been largely directed to disaster relief without enough assistance for addressing the structural problems inhibiting effective disaster prevention and the long-term challenges caused by climate change.⁹ Following extreme weather events, the region usually receives an outpouring of aid for victims. But as climate change is an ongoing phenomenon impacting the region in myriad ways beyond the immediate effects of extreme weather events, current assistance for long term adaptation measures is inadequate.

Working with international donors on climate change adaptation is also a challenge for civil society. The procedural hurdles and administrative costs required to receive funds through aid programs run by USAID and other international donor organizations make it difficult for local, less structured organizations to access funding. In some cases, the majority of international aid funds do not reach impacted communities due in part to these procedural hurdles, administrative costs, and a lack of understanding of the needs of communities, which do not usually have representatives working directly on the projects. Moreover, many US assistance programs were halted during the Donald Trump administration when aid to Central America was abruptly reduced and international climate funding was cut. For instance, The Trump administration cut some \$370 million that had been allocated in aid for Central America for fiscal year 2018,¹⁰ cut all funding to the Green Climate Fund, and slashed USAID spending on environmental initiatives by about 70% in its 2019 budget compared to typical spending under the previous administration.¹¹

However, even with a substantial increase in international aid and public investment, domestic private capital will be necessary to address climate change. Private companies in the Northern Triangle have made some, albeit limited, investments in adaptation thus far. In Honduras, for example, private businesses have worked closely with the coffee industry to improve resilience to climate change, and sugarcane companies have funded climate adaptation research. Yet, to date, the private sector has made little investment in adaptation. Private investment in adaptation has been hindered in part by a lack of political stability and weak rule of law which create an unfavorable business environment. The high rate of informal employment in the Northern Triangle (around 75 percent of workers on average), combined with the lack of skills and formal training, also make it difficult for smaller enterprises to invest in adaptation.¹² Moreover, in some places infrastructure has yet to be rebuilt after the impacts of previous hurricanes, storms, and other extreme weather events, compounding the costs of upgrading infrastructure that is already outdated. Perhaps most importantly, large and small companies alike have a limited understanding of the risks and opportunities associated with climate change, including not only physical but also political and market risks associated with the profound economic transformation required to address climate change.

Lastly, a wide variety of institutional and policy challenges complicate efforts to implement adaptation measures in Northern Triangle countries. Weak institutional capacity and limited technical expertise make it difficult for governments to access and implement climate funds. Legislation is outdated in areas like water management, and environmental regulations are often not enforced. Civil society organizations are clamoring for greater participation in the political process, but they lack avenues to participate in decision-making related to climate change policy and budgeting. Weak rule of law and corruption have led to a lack of confidence in central governments in the region. The effects of climate change interact with other trends like criminal activity and land grabbing that deplete subsistence farmers of their lands, further hindering their ability to adapt. Additionally, with every change in administration following elections, climate policies and programs are disrupted, resulting in inconsistent policies and unfinished programs.

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POLICY RECOMMENDATIONS

These challenges are formidable. But several improvements to the current climate change assistance strategy would help to channel aid towards where it is most needed and do so in a more effective and efficient manner. The administration's policies for the region should center on the following objectives.

1

STRENGTHEN PARTNERSHIPS WITH CIVIL SOCIETY ORGANIZATIONS

The US government should seek to strengthen collaboration with and funding for existing local civil society organizations, which are on the frontlines of adapting to climate emergencies and thus have the best understanding of the needs of communities and approaches that are feasible and most likely to succeed in the short and long term. Partnering with civil society organizations also promotes accountability. Specifically, it helps to create inclusion, continuity of activities in spite of changes in government, and ownership of the solutions and consensus among stakeholders, all of which makes the desired outcomes more sustainable. The organizations themselves should be at the center of project planning, viewed as partners that can eventually take over management of the projects. At the same time, donors should strengthen civil society organizations' capacity to access resources and design and implement projects. Previous efforts to create regional programs and collaborative platforms among civil society organizations have helped to promote exchange of ideas, and they should continue.

There are numerous well-established civil society organizations with experience and expertise in

climate change adaptation in Guatemala, Honduras and El Salvador. Civil society organizations are working on local adaptation projects, particularly in the forestry and agricultural sectors, with projects such as developing ecosystem services and conservation-based livelihoods, conserving mangroves that provide a natural barrier against coastal flooding, planting bamboo to prevent soil erosion, and developing new crop varieties. In general, the most important sectors for climate change adaptation are agriculture, water, infrastructure and financing.

The United States should empower and strengthen existing civil society organizations, but partners also need to be vetted, monitored, and held accountable. It is important to carefully evaluate potential civil society partners to reduce the potential for corruption and ensure requisite technical capacities. In addition, mechanisms to ensure accountability, monitoring and continuity of programs should be enhanced, and more follow-ups and check-ins should be incorporated into program plans. Project outcomes should be measured by qualitative, impact-driven indicators, rather than only quantitative indicators, and a system is needed for measuring adaptation outcomes to evaluate success.

The United States also needs to improve coordination among US government agencies working in the Northern Triangle and with other international donors, lenders, and multilateral organizations. Donors need to understand the full spectrum of civil society activities in order to avoid overlap.

Although civil society organizations should be the direct recipients of US assistance, it is still important for the United States to see a clear commitment from the Northern Triangle

governments on climate change adaptation as well. The national plans for adaptation developed by the three national governments can provide roadmaps for other organizations and serve as the basis for adaptation programs, so coordinating with the government is essential. Furthermore, as the challenges of addressing climate change are linked to broader governance, regulatory, and institutional issues, working with governments on the latter will bolster efforts to address climate change. Local government authorities can also be valuable allies in climate adaptation programs.

2

PROVIDE OPPORTUNITIES TO VULNERABLE GROUPS THROUGH CLIMATE ASSISTANCE

US assistance for climate change should not only address the impacts to the overall population but also look to reduce inequities exacerbated by climate change and utilize foreign assistance to strengthen marginalized segments of the population in the Northern Triangle. Given the Biden administration's emphasis on environmental justice in domestic climate policy, climate justice should also be central to the United States' international climate policy. The United States should align its domestic and international climate strategies and advocate to include climate change adaptation in the Northern Triangle on the agenda at the COP26 in Glasgow in November 2021 and the Summit of the Americas, the meeting of Western Hemisphere leaders hosted by the Organization of American States, in 2022.

In directing assistance, the United States should first identify at-risk groups, building on existing analysis by other donors, then select partners within those communities, and create programs sensitive and responsive to the needs of vulnerable

or marginalized segments of the population. Populations in the Dry Corridor and urban areas without water sanitation are particularly vulnerable. Assistance could promote the participation of ethnic groups, women and rural communities in climate policymaking in national and local governments through education and support for advocacy groups. More aid can also be channeled directly to ethnic communities. Directing more aid to women would also ensure that families receive needed assistance.

Climate assistance should also consider long-term economic sustainability and equity and can be leveraged to create economic opportunities for marginalized groups. To that end, projects should focus on capacity building for local organizations and providing education and skills development in environmentally sustainable livelihoods. Training in adaptation measures in the agricultural and forestry sector, for example, could help communities improve their economic resilience to climate change. Young people in particular need

education and training to adapt to change in the agricultural sector, to improve their skills in areas like marketing and value-added products, to take a leadership role in rural communities, and to pursue new economic opportunities beyond agriculture. For example, organizations in the region provide education and training on accessing international markets for sustainable products. Women generally

have less access to finance, technical assistance and agricultural inputs than men, and aid programs could help bridge the gap with financial education and technical training. Access to information is also critical to empowering marginalized groups, particularly young people, many of whom are not engaged in the political process.

3 ENGAGE WITH THE PRIVATE SECTOR AND CREATE INCENTIVES FOR INVESTMENT

As foreign assistance alone will not cover all the costs of adaptation, it is important to promote private sector investment in resilient agriculture, forests, infrastructure, and resource management. When planning adaptation programs and policies, the private sector must be involved at every step. Considering the large informal economy in the region, small informal businesses and workers, and not just large companies, must be incorporated into the strategy for engagement with the private sector.

US assistance could help companies to create new products, access new markets, restructure some industries, and innovate to adapt to the impacts of climate change on their business.

Technical assistance and capacity building programs on sustainable production, value chains, and marketing could help companies to access climate finance and develop resilient and sustainable products and services. The Biden administration can also explore ways to create incentives for companies exporting goods to the US market to undertake climate adaptation and resiliency projects, for example through loans from the US Development Finance Corporation.

Private companies in the Northern Triangle need to improve their understanding of the risks and opportunities that climate change represents. US assistance in areas such as disaster risk management could help companies to identify priority areas for investment in resilience and establish systems for monitoring and reporting on adaptation and mitigation measures.

Aid programs could also establish systems for sharing best practices among companies in the three countries and learning about global best practices.

Likewise, Northern Triangle countries need to build more resilient infrastructure to avoid recurring losses and damages. This can be done by incorporating climatic considerations both in the design of new infrastructure and in the reconstruction and adaptation of existing infrastructure. Energy infrastructure is particularly important for economic development and improving standards of living, and assistance programs could help energy companies identify and mitigate risks, especially in electricity transmission and distribution.

Government policy and regulation is central to shaping corporate decisions. Thus, US programs to engage the private sector need to be coordinated with the government, which is responsible for design and implementation of policies, regulations and incentives that drive private investment. Aid can also support institutional capacity to enforce environmental laws and regulations governing adaptation, such as water management and infrastructure development, for example by providing technical advisers to Northern Triangle government agencies. As the top trading partner with Central America, the United States should call on companies importing products to the US market to uphold environmental standards in the Northern Triangle in order to signal demand for climate-resilient products.

International finance can also be leveraged to stimulate private companies to invest in climate

adaptation. The United States should follow through on its international climate finance commitments, which could be executed through blended financing and private-public alliances. In a positive step, on September 21, 2021, President Biden announced he would double the United States' previous \$5.7 billion climate finance pledge made in April 2021. This should amount to the United States delivering \$11.4 billion a year by 2024 to developing countries to support climate action.

The United States should also support greater access to national private financing flows for climate resilience, especially for the most marginalized groups such as micro and small businesses, rural and indigenous producers and associations, and women. This can be achieved through initiatives in areas such as financial education for potential borrowers and policy and regulatory reforms.

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