UNCDF LoCAL: Financing local climate change adaptation

Subnational adaptation through a country-based financing mechanism
Why give support at the local level?

Local governments from LDCs and other developing countries:

→ are in a unique position to identify and implement the responses that best meet local needs

→ typically have the mandate to undertake small to medium sized interventions and investments required for building climate resilience.

→ face a funding gap (regular transfers, additional costs, centralized climate financing, etc.)

→ face a capacity gap (data, risk informed planning, MRV)
What are the financial obstacles?

Local governments are hampered by:

- Lack of appropriate budget allocations leading to unfunded mandates for climate change adaptation
- Inability to absorb the additional cost of climate change adaptation
- Climate finance sources mainly accessible to national programmes
- Lack of funding for private and public-private income-generating adaptation projects
**LoCAL:**
*a financing mechanism for addressing subnational adaptation*

- A global mechanism designed by UNCDF to help local governments *access and effectively use climate finance at the local level*
- Promoting the *integration* of CCA in *local government planning and budgeting systems* in a participatory and gender sensitive manner
- Using *Performance-Based Climate Resilience Grants* (PBCRG) that guarantee programming and verification of local adaptation expenditures
- Monitored through the ‘*Assessing climate change adaptation framework*’ developed with WRI
The Local Climate Adaptive Living (LoCAL) Facility
A standard and country-based mechanism

International & domestic finance

Central Government

PBCRG +10–20 %

Regular capital grant allocation

Local governments

110–120 % of local government expenditure goes to building climate resilience

PERFORMANCE MEASURES

1 PBCRGs

2 Annual performance assessments

3 Technical and capacity-building support

MINIMUM CONDITIONS

Unpacking Public and Private Finance for the Poor
An investment menu aligned with NAP and NDCs

‘LoCAL-izing’ NDCs

Using LoCAL to empower local governments in contributing towards achievement of nationally determined contributions

- Agroforestry
- Agro-processing
- Climate-smart agriculture
- Water, sanitation and health
- Climate-proofing infrastructural development and bio-climatic construction
- Energy efficiency and security with adaptation benefits
Local Climate Adaptive Living Facility

Based on experience across 14 countries with potential scale-up reach of 400 million people.

Phases:
- Phase I
- Phase II
- Phase III
- Design Phase

Countries included in the map:
- Burkina Faso
- Senegal
- The Gambia
- Liberia
- Cote d'Ivoire
- Sao Tome and Principe
- Benin
- Ghana
- Uganda
- Bangladesh
- Nepal
- Bhutan
- Lao PDR
- Cambodia
- Solomon Islands
- Tuvalu
Local Climate Adaptive Living Facility

Guidelines and ACCAF

Financing local adaptation to climate change

Experiences with performance-based climate resilience grants

EXECUTIVE SUMMARY

Highlights

- The effectiveness of climate change requires ongoing adaptation at the local level. The Local Climate Adaptive Living Facility (LoCAL) mechanism of the United Nations Capital Development Fund (UNCDF) provides performance-based climate resilience grants to local authorities in Least Developed Countries to finance adaptation interventions.

- UNCDF’s system includes an Annual Performance Assessment designed to ensure accountability, sound local-level public administration, and good governance. As a result, the latest adaptation measures captured by the UNCDF for the assessment could be strengthened to better assess adaptation effectiveness.

- To strengthen LoCAL, the LoCAL World Resources Institute (WRI) created the Assessing Climate Change Adaptation Framework (ACCAF). While designing the ACCAF, WRI identified three major challenges: incorporating performance into adaptation monitoring and evaluation (IME) of the existing performance-based climate resilience grant system, allowing meaningful assessment of the achievement of adaptation, and identifying specific climate change adaptation needs for climate change vulnerability assessments. The paper identifies these challenges and the solutions proposed to address them.

- While the ACCAF is specific to LoCAL, the experiences gained through its development can be applied to adaptation at a broader level. This paper outlines insights and lessons learned from designing the ACCAF that are relevant to a global audience. Donors, practitioners, and local authorities can use these lessons to inform future programming.

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This Working Paper contains preliminary research, analysis, findings, and recommendations. It is intended to stimulate discussion and constructive feedback and to influence ongoing debates and emerging issues. Most working papers are eventually published in another form and their content may be revised.
Mediating subnational level’s direct access to climate change finance

→ 4 LoCAL countries (Bhutan, Benin, Tanzania and Mali) have nominated a national entity for accreditation to GCF, engaged with LoCAL

→ The FNEC of Benin and NCDD-S of Cambodia were accredited as a GCF NIE and preparing the further national scale-up

→ 4 LoCAL countries are preparing a proposal to the GCF through a Multilateral Entity (BOAD) including to support access to private sector financing at the local level
LoCAL Bhutan

→ UNCDF pilot scaled up with EU budget support, and planned with Adaptation Fund

→ TA for updates of design and annual performance assessments

→ 104 small scale investments in six local authorities, scaling up to 100 local authorities by 2020

→ On going accreditation to Green Climate Fund

Bhutan, one of the first countries to pilot and embrace LoCAL, highlights the potential of the model
LoCAL Cambodia

- National scale-up of LoCAL underway to 50 districts, reaching total population of 16 million people
- 276 adaptation measures financed with more planned
- Multiple funding sources including IFAD loan
- Awarded Green Climate Fund accreditation in November 2019

Cambodia, one of the first countries to pilot and embrace LoCAL, highlights the potential of the model
LoCAL
Benin

→ On going scale up to 9 communes with cofinancing from FNEC (ecotaxes)

→ Further scale up to 30 communes planned for 2021 onwards, through GCF direct access by FNEC

→ 3.75 millions of beneficiaries are expected during the scale up

→ Public funding system more robust and transparent through PBCRG model

→ A model for blended finance is developed
LoCAL+: promoting access to domestic private sector financing

- Using project finance to **boost municipal finance** for climate change action
- Identifying **financially viable investments** in local development plans informed by localized climate risk analysis
- Supporting **public-private projects** to become bankable through technical assistance, seed capital, loans and/or guarantees
- Piloted in **The Gambia** and planned in **Benin** and **Mali**
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