

Submission by the Local Climate Adaptive Living (LoCAL) facility of the UN Capital Development Fund (UNCDF) to the call by the Standing Committee on Finance (SCF) on the next SCF Forum: Financing Nature-Based Solutions

31 July 2020

The Local Climate Adaptive Living (LoCAL) Facility of the UN Capital Development Fund (UNCDF) welcomes the opportunity to submit its view on the call by the SCF for the next forum on the financing nature-based solutions. The LoCAL is pleased to share its views and experience on its projects on the nature-based solutions through the use of performance-based climate resilient grants as case studies to inform the next SCF Forum. The submission also proposes the LoCAL's performance-based climate resilience grants (PBCRGs) as financial instrument to implement nature based solutions under the Sub- theme of the forum: *Paragraph 2 (e) NBS as a driver of the NDCs and NAPs, and Paragraph 3 (d) Facilitating access to climate finance for adaptation and mitigation actions and measures that utilise NBS.*

The UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, the UNCDF offers finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

LoCAL was established in 2011 to promote climate change–resilient communities and local economies by establishing a standard and internationally recognized country-based mechanism to channel climate finance to local government authorities for building verifiable climate resilience. LoCAL aims to integrate climate change adaptation into local governments' planning and budgeting systems, in a participatory and gender-sensitive manner, increase awareness of and response to climate change at the local level, and increase the amount of finance available to local governments for climate change adaptation.

LoCAL combines performance-based climate resilience grants (PBCRGs), aimed to cover the additional costs of making local development climate resilient, with capacity building and technical assistance to local governments to help them better assess climate risks and vulnerabilities and integrate climate change adaptation into their planning and budgeting processes – thus improving preparedness for, awareness of and resilience to climate change.

LoCAL is overseen by the LoCAL Board, which comprises representatives of governments participating in the global mechanism and development partners. The Board is co-chaired by the Chairs of the Least Developed Countries Group of the United Nations and Chair of LDCs group of the UNFCCC.

LoCAL has been supporting 293 local governments representing over 11 million people, across in 14 countries (Bangladesh, Benin, Bhutan, Cambodia, The Gambia, Ghana, Lao PDR, Lesotho, Mali, Mozambique, Nepal, Niger, Tanzania and Tuvalu), with 11 more countries having formally expressed interest to benefit from the global mechanism (Burkina Faso, Côte d’Ivoire, Liberia, Malawi, Pakistan, Palestine, São Tomé and Príncipe, Senegal, Solomon Islands, Sudan and Uganda).

Since inception, LoCAL has mobilized a total of \$94.2 million and financed 1,276 climate change adaptation interventions.



## I. LoCAL for the implementation of the Nationally Determined Contributions (NDCs) of the Paris Agreement

The Paris Agreement recognized that adaptation is a global challenge faced by all with local, subnational, national and regional dimensions and emphasized the urgent need to support countries that are particularly vulnerable to adverse effects of climate change (Article7). Therefore, LoCAL focuses primarily on the least developed countries (LDCs) which are among the most exposed to the impacts of climate change.

LoCAL as an internationally recognized country- based mechanism channels climate finance to local government authorities in developing countries, in particular LDCs to support adaptation efforts. It aims to contribute to the achievement of the Paris Agreement through the local level implementation.

LoCAL also contributes to achievement of the Sustainable Development Goals (SDGs) particularly SDG 1, ending poverty; SDG 11, sustainable cities and communities; and SDG 13, combating climate change and its impacts with concrete action at the local level.

Over the years, the LoCAL Facility supported local governments to increase local resilience to climate impacts in alignment with their mandates, the Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), local adaptation plans and the United Nations Framework Convention on Climate Change (UNFCCC).

In April 2019, the LoCAL guidelines were endorsed as [supplementary material to the NAP technical guidelines](#) by the LDC Expert Group at the UNFCCC. This publication will help LDCs and developing countries create intentional and strategic linkages between country national adaptation plans and nationally determined contributions at the subnational level in a coordinated and standard manner – bringing a financing dimension to the vertical integration of the NAP and NDC processes.

## II. LoCAL's performance-based climate resilience grants (PBCRGs) for financing nature-based solutions (NBS)

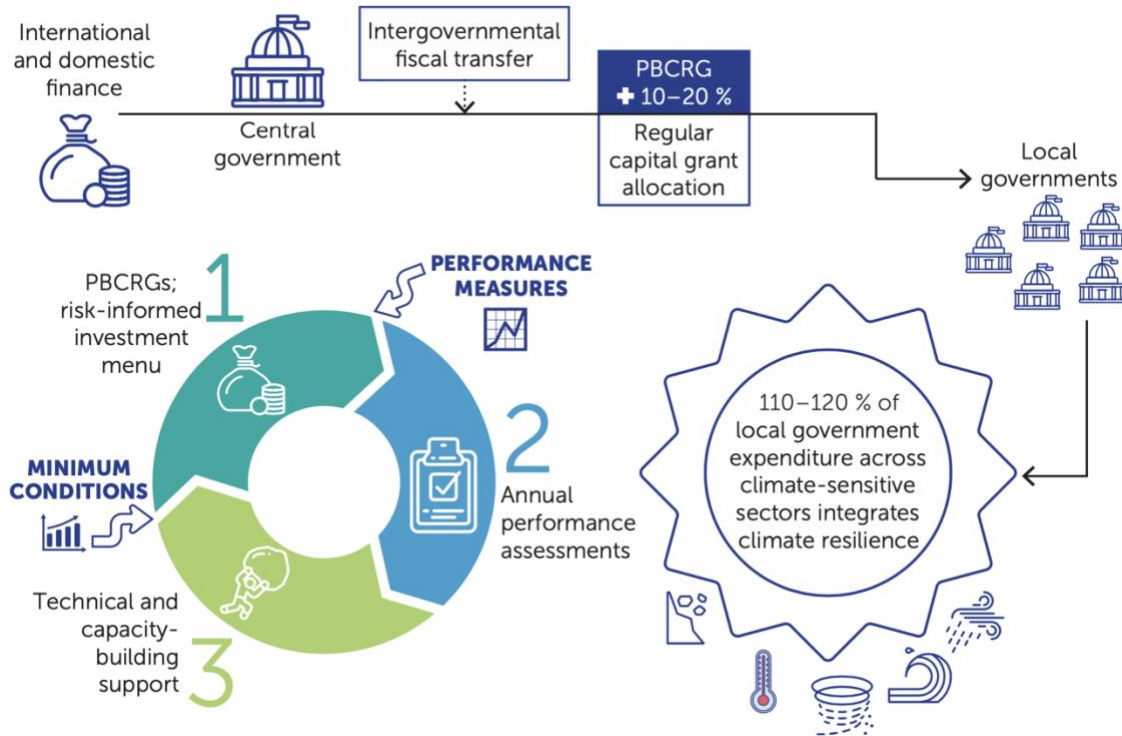
The LoCAL global mechanism combines performance-based climate resilience grants (PBCRGs) - which ensure programming and verification of climate change expenditures at the local level while offering strong incentives for performance improvements in enhanced resilience - with technical and capacity-building support and monitoring and quality assurance functions.

LoCAL applies principles of fiscal decentralization and effective local planning and public financial management to climate change. It combines performance-based climate resilience grants (PBCRG), which ensure programming and verification of climate change expenditures at the local level, with technical and capacity-building support.

PBCRG provides a financial top-up to cover the additional costs of making investments climate resilient and are channelled through existing government fiscal transfer systems (rather than parallel or ad hoc structures). International climate finance is channelled through national treasuries — right down to the local level, with special accounts ensuring traceability and additionality.

PBCRGs are channelled through existing fiscal transfer mechanisms in the countries where LoCAL is involved, thereby strengthening national appropriation and accountability. By being disbursed as part of a local government's regular budget envelope, PBCRGs can finance the adaptation element of larger projects, allowing for holistic responses to climate change. In general, the grants are a 10 to 20 % 'top up' of regular capital grant allocations. To ensure accountability and relevance, PBCRGs include minimum conditions, performance measures and a menu of eligible investments aligned with NAPs and NDCs. For local governments to be eligible for and to access the grants, they must meet and remain in compliance with a set of minimum conditions which ensure that a certain level of capacity is in place to handle the funds and that they are adequately used year to year.

Performance measures are applied through an annual assessment to incentivize local governments to meet climate change adaptation objectives. The measures selected are informed by local climate risk assessments and a menu of eligible investments (itself informed by national climate risk assessments). The performance measures are used to adjust the level of funding made available to the local government year to year as well as inform the technical and capacity-building support needed. Where local governments are found not to have met the minimum conditions, actions are undertaken to help address the identified gaps and lags.



*Assessing Climate Change Adaptation Framework (ACCAF)*

The performance-based climate resilience grants (PBCRGs) as an instrument to implement nature-based solution also benefits from its own M&E framework, to review the effectiveness of the performance-based grant mechanism in producing the adaptation investments.

The ACCAF comprises a guidance document and a complementary data tracker. The data tracker that accompanies the ACCAF manual enables country programs to report their achievements in a simple, straightforward way that the facility can directly use. The data tracker is integrated into LoCAL’s existing M&E reporting systems to minimize country program’s additional data collection and management burden, and it enables the Facility to gather information presented in a consistent manner. The ACCAF also proposes a series of periodic (every three years) adaptation- oriented evaluation of the country programme. The ACCAF also introduced a standard set of primary output indicators. The output indicators measure activities for example, meters of irrigation channel repaired.

### III. LoCAL Projects: Case studies for NBS

The following two case studies are example of among the 14 LoCAL countries. The case studies identified below could be considered as a nature-based solution project provide background information, major achievements, implemented and planned adaptation interventions and lessons learned.

## Ghana

<p><b>Achievements</b></p>	<ul style="list-style-type: none"> <li>• A technical assistance mission commissioned by UNCDF in partnership with the Korea Environment Institute, was organized in 2016 to review climate information (risks, vulnerability and adaptation assessments) to inform adaptation planning and mainstreaming into local development planning and make recommendations to strengthen local capacities. This resulted in the 2019 preparation of a LoCAL country report on climate risk and vulnerability assessment which incorporates the local dimension, identifying and mapping climate risk, exposure and vulnerability hotspots at subnational and local/community levels and prioritize climate change adaptation actions and investments based on quantified and evidence-based analysis, and may serve to update nationally determined contributions and define main adaptation targets and actions in synergy with boosting and accelerating SDGs achievement, particularly SDG 13.</li> <li>• LoCAL supported the efforts of the Fiscal Decentralization Unit of the Ministry of Finance in fine-tuning its District Functional Organizational Assessment Tool (FOAT) of the DDF; this has been renamed the District Assembly Performance Assessment Tool (DPAT) and is being mainstreamed into national monitoring and evaluation systems.</li> <li>• UNCDF commissioned two technical assistance missions in 2017 and 2018 to design LoCAL Phase II in a consultative manner. The performance assessment system under Phase II, particularly the minimum conditions, has been further aligned with the FOAT and renamed the District Assemblies Common Fund Responsiveness Factor Grant. The design note for Phase II was endorsed by the partners and the Government of Ghana, and the country is ready to move to Phase II.</li> <li>• This approach led to the inclusion of climate indicators in the country’s performance-based grant system of the decentralization sector as well as to the inclusion of climate change considerations in the forthcoming National Decentralization Policy and National Decentralization Strategy (2020-2024).</li> <li>• UNCDF, in partnership with SNV, a Netherlands development agency, has secured funding from the European Union Trust Fund for Africa to implement the Boosting Green Employment and Enterprise Opportunities in Ghana (GrEEn) Programme beginning in 2020. The GrEEn Programme will be LoCAL Phase II, building on the experiences of LoCAL-Ghana Phase II. It will deploy PBCRGs with a focus on creating jobs locally – through cash-for-work programmes and procurement to local micro, small and medium-sized enterprises (MSMEs) –</li> </ul>
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	<p>while promoting climate resilience. Under the GrEEn Programme, MMDAs will receive funding under the DACF RFG system based on the minimum conditions already in the DPAT. GrEEn will make use of existing performance measures and complement them with targeted climate-related performance measures and cash-for-work indicators.</p>
<p><b>Adaptation measures and investments:</b></p> <p><b><u>Nature Based Solution Project</u></b></p>	<p>Since inception, 16 climate change adaptation investments, benefiting approximately 32,000 people, particularly women, were implemented into the first PBCRG cycle; another 9 are planned to be implemented in 2020. These interventions included the following:</p> <ul style="list-style-type: none"> <li>• <b>Reforestation/afforestation, such as reforestation of degraded reserve forest land along the Akrum and Osubin Rivers and planting of different tree species along streams</b></li> <li>• Roads or schools and public gardens as a mean of protecting against soil erosion and flooding in the Fantekwa North District</li> </ul> <p>Sensitization activities on climate change and specific trainings on bush fire prevention and early warning systems were held in two of the three MMDAs, reaching approximately 2,200 people.</p>
<p><b>Lessons learned</b></p>	<ul style="list-style-type: none"> <li>• It is critical to design the flow of funds and the PBCRG operational mechanism to fully align with the existing system of intergovernmental transfers and to follow the regular public expenditure management cycle. In this way, funds are fully fungible with other resources available locally.</li> <li>• In Ghana, PBCRGs are fully aligned and linked with the former DDF and its FOAT. Because the PBCRG is now to be integrated into the District Assemblies Common Fund, it is critical to ensure that LoCAL is aligned and mainstreamed with the new fund and with the Performance Assessment Framework for the Decentralization Sector Wide Approach.</li> </ul>
<p><b>Way forward</b></p>	<p>A country report on climate risk assessments recently undertaken in Ghana with Korea Environment Institute support is expected to help participating local government authorities strengthen their adaptation planning with a view towards prioritizing interventions yielding greater impacts in terms of climate change adaptation and increased resilience of target communities.</p> <ul style="list-style-type: none"> <li>• Transfer of additional funds to the MMDAs will take place in the first half of 2020 to 6 MMDAs to commence investments under LoCAL Phase II.</li> <li>• The LoCAL component of the GrEEn Programme will be launched in the regions, and the mechanism will be gradually rolled out in a total of 13 MMDAs by 2023. In close collaboration with the MMDAs, LoCAL will assist local governments in developing and implementing green and climate resilient local investments which foster the employability for returnees, youth and women through cash for work and procurement to local MSMEs.</li> <li>• National roll-out is envisaged from 2024 onwards (Phase III); preparing for this is an integral part of Phase II. Policy advice, readiness support, support for accreditation and adjustment to project design as needed are foreseen to ensure that the country can transition to Phase III and initiate national roll-out after the four-year GrEEn Programme ends.</li> </ul>
<p><b>More information</b></p>	<p><a href="https://www.unCDF.org/local/ghana">https://www.unCDF.org/local/ghana</a></p>

## Niger

<p><b>Achievements</b></p>	<ul style="list-style-type: none"> <li>• Since LoCAL inception in 2016, the mechanism has been piloted in two communes in the Dosso region, Sokorbé (Department of Loga) and Dogon Kyria (Department of Dogondoutchi), benefitting a population of 101,569. Between 2016 and 2019, three PBCRG cycles have been implemented and performances of communes evaluated, showing progressive improvements in terms of climate change adaptation mainstreaming in planning and budgeting systems, project cycle management and public financial management, as result of capacity building efforts with relevant local stakeholders.</li> <li>• Niger has begun piloting localized climate risk assessments and established systems to enable local governments to collect, archive and analyse meteorological, climate and socioeconomic data and to undertake local climate projections to inform their planning. In collaboration with the NDC Partnership, LoCAL is complementing and expanding this work by developing a Country Report on Climate Risk and Vulnerability, which through a climate downscaling model and vulnerability analysis will provide localized climate risk maps at district and commune levels.</li> <li>• The three-year pilot phase paved the way for LoCAL Phase II to fully integrate the PBCRG model into the treasury’s fiscal transfer system. LoCAL Phase II design was finalized in 2019, in consultation with Government’s counterparts, sub-national stakeholders and development partners.</li> <li>• Through NDC Partnership and the Italian Fund for Migration, LoCAL-Niger secured funding for implementing its Phase II in 2020. Through this support, LoCAL is bringing the total number of target communes to 9 in the regions of Dosso, Zinder and Tahoua.</li> <li>• Niger is one of the West African countries (along with Burkina Faso, Côte d’Ivoire and Mali) included in the joint UNCDF-LoCAL–West African Development Bank (BOAD) funding proposal submitted to the Green Climate Fund (GCF) in early 2020. The joint proposal aims to help identified local authorities increase their access to funding for adaptation through a combination of dedicated grants and technical assistance throughout the planning, implementation and reporting cycle to develop, finance and implement investments aligned with NDCs, NAPs and local needs.</li> </ul>
<p><b>Adaptation measures and investments:</b></p> <p><b><u>Nature Based Solution Projects</u></b></p>	<ul style="list-style-type: none"> <li>• Over the three-year pilot phase, LoCAL-Niger financed 41 adaptation investments, directly benefitting more than 42,000 people in the two communes.</li> <li>• In Sokorbé, 95 hectares of degraded land was rehabilitated using semi-circular bunds to combat erosion. This technique allowed for greater soil infiltration and for the repurposing of arid areas. The site was sown with locally available herbaceous species and planted with 28,533 trees. These activities were implemented through cash for work schemes, benefitting local communities. A management committee was established to protect and maintain the site and ensure equitable benefits for beneficiaries.</li> <li>• Similarly, in Dogon Kiria, 60 hectares of degraded land was rehabilitated using the same technique and replanted by local communities under cash for work schemes.</li> </ul>



	<ul style="list-style-type: none"> <li>• Two 14-tonne millet banks were built in two villages and 1.5 tonnes of improved seed was delivered to 13 villages suffering from food shortages, thus improving the availability and accessibility of millet during the lean season. Some 703 households, including 33 female-headed households, were supported.</li> <li>• 14 wells were excavated and/or rehabilitated, improving access to safe drinking water and reducing water collection time considerably.</li> <li>• Capacity-building activities targeting elected leaders, community agents and civil society were conducted: (i) training and equipping 50 pest control volunteers, (ii) establishing five community early warning and emergency response systems, (iii) training community workers in climate change-related issues.</li> </ul>
<b>Lessons learned</b>	<ul style="list-style-type: none"> <li>• As the impact of climate change is local and affects multiple sectors, it is important to allow local authorities to choose the priority activities to be funded by LoCAL grants on a consultative basis. A local adaptation action programme, informed by a climate risk assessment, must therefore follow on from the list of indicative investments developed when the programme was first established.</li> <li>• It is essential to design a funding channel for LoCAL grants which is fully aligned with the existing system of inter-governmental transfers. Funds must be fully integrated with other resources available locally. An intermediate funding channel has been established in Niger for the first two years. LoCAL is using the National Treasury System for its Phase II.</li> <li>• Capacity building provided to LoCAL pilot communes enabled them to plan and implement climate resilience actions from their annual investment plans and ensure their sustainability, thus demonstrating the importance of capacity-building support to ensure impactful and effective climate change adaptation measures at local level.</li> </ul>
<b>Way forward</b>	<ul style="list-style-type: none"> <li>• The fourth cycle of PBCRGs for 2020 benefitting nine communes is under way.</li> <li>• Work around climate risk assessments will be further developed in 2020 to ensure adequate inclusion of climate change considerations in national and sub-national planning. In collaboration with the NDC Partnership, LoCAL is producing a Country Report on Climate Risk and Vulnerability, which will help prioritizing climate change adaptation actions and investments based on quantified and science-based analysis and updating nationally determined contributions, while defining main adaptation targets and actions in synergy with boosting and accelerating Sustainable Development Goal (SDG) achievement, particularly of SDG 13.</li> <li>• LoCAL will continue pursuing resource mobilization efforts with the GCF through the funding proposal submitted, while exploring additional sources of climate finance to support the expansion of its Phase II.</li> <li>• LoCAL may provide technical assistance support to Niger's NIE to pursue their accreditation efforts to the GCF and pave the way for more stable sources of climate finance to the country to realize its adaptation objectives.</li> </ul>
<b>More information</b>	<a href="https://www.uncdf.org/local/niger">https://www.uncdf.org/local/niger</a>



#### IV. Potential institution and event to partner with, in the organization of the Forum

The LoCAL Facility wishes to partner with the SCF under the Sub- theme of the forum: Paragraph 2 (e) NBS as a driver of the NDCs and NAPs, and Paragraph 3 (d) Facilitating access to climate finance for adaptation and mitigation actions and measures that utilise NBS. The LoCAL can share its views and experience on its projects on the nature-based solutions through the use of performance-based climate resilient grants, and country experiences.

The LoCAL facility of the UNCDF welcomes other opportunities to work together with the SCF and stands ready to share its experiences further and provide detailed information.