

Submission by the Local Climate Adaptive Living (LoCAL) facility of the UN Capital Development Fund (UNCDF) to the call for evidence for information and data for the preparation of the 2020 report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

28 February 2020

The Local Climate Adaptive Living (LoCAL) facility of the UN Capital Development Fund (UNCDF) welcome this opportunity to share its views to the Standing Committee of Finance (SCF) on the call for evidence for information and data for the preparation of the 2020 report on the determination of the needs of developing countries to implement the climate action.

The LoCAL facility of the UNCDF 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. It aims to contribute through the local level to country achievement of the Paris Agreement. The LoCAL facility focuses on the least developed countries (LDCs) which are among the most exposed to the impacts of climate change. . In most LDCs climate change has drastic impacts on people’s living conditions and their natural resources. Furthermore, LDCs capacity to address the impacts of climate change is hampered by poverty and inadequate resources.

The Facility is overseen by the LoCAL Board, which comprises representatives of governments participating in the global mechanism. The Board is co-chaired by the Chairs of the Least Developed Countries Group to the United Nations and to the UNFCCC, respectively. In the 2019 Decision, the LoCAL Board reaffirmed its commitment to a strong and continued LoCAL engagement with UNFCCC, COPs and with the LDC group in the UNFCCC processes to consolidate and deepen the progress towards LoCAL’s objectives, and to explore options to institutionalize LoCAL as a global mechanism. As of today, 14 countries have joined the Board of the LoCAL mechanism and 8 more will be invited and join the Board as new countries in 2020, counting 20 LDCs in total.

I. Information and data on the needs of developing country Parties

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.

Since 2011, LoCAL supported 280 local governments representing over 10 million people, across in 14 countries (Bangladesh, Benin, Bhutan, Cambodia, The Gambia, Ghana, Lao PDR, Lesotho, Mali, Mozambique, Nepal, Niger, Tanzania and Tuvalu), with 8 more countries having formally expressed to benefit from the global mechanism (Burkina Faso, Cote d'Ivoire, Liberia, Malawi, Sao Tome e Principe, Senegal, Solomon Islands and Uganda). The LoCAL mechanism accounted over 2014-2019 (est.) to USD 80 million.

The LoCAL facility supported local governments to increase local resilience to climate impacts in alignment with their mandates, the NDCs, NAP, local adaptation plans and the United Nations Framework Convention on Climate Change (UNFCCC). In April 2019, the LoCAL guidelines were approved as [supplementary material to the NAP technical guidelines](#) by the LDC Expert Group at the UNFCCC.

II. Processes and approaches utilized for the determination of needs of developing country Parties

The 2015 Paris Agreement under Article 7 and 11, highlights the need to integrate adaptation in policies and actions, particularly at the subnational level. The LoCAL facility has aligned needs for support for LDCs in line with local planning cycles.

The following processes and elements are analysed to determine the needs to be addressed through the subnational level across the portfolio of 21 countries, in a systemic and contextualised manner:

- Climate change information in terms of climate risks, vulnerability and adaptation assessments, as well as possible gaps in terms of information, systems or guidance, especially at the local level and in candidate pilot authorities
- National development strategies and priorities, planning and budgeting guidelines and how they relate to climate change adaptation and local authorities

- Decentralization strategies and status, and level of integration of climate change adaptation in decentralized authorities' public expenditure management systems
- Climate-related policies and strategies, particularly relating to adaptation, mainstreaming and local authorities
- Existence and effectiveness of intergovernmental fiscal transfer systems and performance-based grant systems where applicable
- Institutional set-up, roles and mandates of central ministries (e.g. finance, planning), line ministries (e.g. agriculture, natural resource management, water and public works, health and education) and climate-related institutions in the context of decentralization, local development and climate change
- Local government legal framework, guidelines and manuals; monitoring and evaluation, audit and reporting systems
- Ongoing and planned climate change adaptation and decentralization/local governance programmes or initiatives by governments and development partners
- Technical and management capacities and needs of local authorities and ministries responsible for climate change, finance, planning and local government (e.g. staffing and skills for planning and procurement functions)

Through this analysis, the effort is grounded in a thorough review of opportunities for local authority involvement in climate change adaptation and of the existing decentralization landscape. Implementation can thereby take into account – among other considerations – functions assigned to local authorities, budgets and public financial management systems. This grounding allows the mechanism to be designed to strengthen local capacities for climate resilient service delivery and investments and the resilience of communities themselves.

III. Underlying assumptions and methodologies

The UNCDF is a global pioneer in innovative finance modalities for supporting local governments in developing countries. In particular, 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.

The following are key methods used by the LoCAL facility for the identification of needs and allocation of resources;

1. Performance Based Climate Resilient Grants (PBCRGs): the LoCAL facility has innovated a method to channel climate finance and incentivise continuous improvement in responses to climate change at the subnational and grass-roots levels. Performance-based climate resilience grants provide a financial top-up to cover the additional costs of making interventions climate resilient. They complement regular allocations made by the central level to local governments through the intergovernmental fiscal transfer system, ensuring additionality. Their technical features include a set of minimum access conditions, performance measures and a menu of eligible investments aligned with the NDCs and NAP. PBCRGs are set according to an allocation formula agreed on in each country. They need to be large enough to provide an incentive, cover the additional costs of adaptation, and have an impact in terms of investments and service delivery in areas key to enhanced climate resilience. On the other hand, they must also be small enough to match the absorptive capacities of local governments and be fiscally sustainable and scalable.

The PBCRGs methodology has been deployed in 14 countries and is under design in another 8 countries (including 20 LDCs), in accordance with their needs to incentivize local government to implement adaptation measures while enabling verification of climate change expenditures at the local level.

2. The LoCAL facility ensures participating local governments performance with regard to PBCRGs is assessed on an annual basis. These **annual performance assessments** serve a number of objectives:

- To provide an incentive mechanism for continuous improvement in addressing climate change, as comparing results across local governments will influence the subsequent year grant allocation
- To review progress made by participating local governments against their own past performance
- To provide information on stronger and weaker performance areas for capacity building and for institutional learning by local governments and other stakeholders on what, how and when to improve
- To contribute to the overall monitoring and evaluation system, especially on issues related to systems and procedures as well as outputs
- To provide lessons in improving the mechanism, especially in the early stages

3. Facilitating subnational level's direct access to climate change finance

The LoCAL global mechanism also aims to improve countries and local governments' ability to access and effectively use wider sources of climate funding.

5 LoCAL countries (Bhutan, Benin, Cambodia, Mali and Tanzania) have nominated a national implementing entity for accreditation to Green Climate Fund and have been supported with success or accompanied in their accreditation efforts by the LoCAL facility. With support from the LoCAL facility, the FNEC of Benin and NCDD-S of Cambodia were accredited as a GCF national implementing entity in 2019 and are preparing for direct access for the further national scale-up. 4 additional LoCAL countries are preparing a proposal to the GCF through a Multilateral Entity (Banque ouest africaine de developpement). The LoCAL facility is currently supporting a pipeline of USD 80 million for direct access to GCF, with more in demand.

IV. Challenges, opportunities and gaps in determining the needs of developing country Parties

The LoCAL facility is supporting countries that are most impacted by climate change, and poverty exacerbated as a result.

It is increasingly recognised that local governments from LDCs and other developing countries are in a unique position to identify and implement the responses that best meet local needs and typically have the mandate to undertake small to medium sized interventions and investments required for building climate resilience.

They however face a funding gap (regular transfers, additional costs, centralized climate financing, etc.) and face a capacity gap (data, risk informed planning, MRV).

The LoCAL facility addresses those needs in an integrated and sustained manner, unlocking various sources of finance, domestic and international, in support of the localisation of the Paris Agreement.

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.