



Local Climate Adaptive Living

LoCAL in Mozambique

Project Document

August 2014

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Abbreviations

APA	Annual Performance Assessments
APFNS	Action Plan for Food and Nutritional Security
AWP	Annual Work Plan
BDS	Business Development Services
BFFS	Belgian Fund for Food Security
BTC	Belgian Technical Cooperation
CAADP	Comprehensive African Agriculture Development Programme
CC/CCA	Climate Change/Climate Change Adaptation
CO	Country Office
CT	Cash Transfers
DP	Development Partners
DPA	Provincial Directorate of Agriculture
DDF	District Development Funds
DPS	Provincial Directorate of Health
DPE	Provincial Directorate of Education
DPOPH	Provincial Directorate of Public Works and Habitation
DRR	Disaster Risks Reduction
EC	European Commission
ENAMMC	National Strategy for Climate Change Adaptation and Mitigation
ETD	District Planning Team
FAO	Food and Agriculture Organization
FFS	Farmer Field School

FNS	Food and Nutrition Security
FO	Farmer Organization
FSNP	Food Security and Nutrition Programme
FSSP	Food Security and Social Protection.
GDP	Gross Domestic Product
GELD	Gender Equitable Local Development
GOM	Government of Mozambique
G2P	Government to Persons Payments
ICT	Information, Communication and Technology
INGC	National Institute for Disaster Management
KD	Knowledge Development
KM	Knowledge Management
LTA	Long-term Technical Assistance
LDC	Least Developed Country
LDF	Local Development Fund
LDFP	Local Development Finance Practice
LoCAL	Local Climate Adaptive Living
LOLE	Law for Local State Bodies
MAE	Ministry of State Administration
MC	Minimum Conditions
MCPM	Minimum Conditions and Performance Measures
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MINAG	Ministry of Agriculture

MPD	Ministry of Planning and Development
MOU	Memorandum of Understanding
NAPA	National Adaptive Plan of Action
NGO	Non-Government Organization.
NIM	National Implementation Modality
NPDPF	National Programme Decentralized Planning and Finance
NTC	National Technical Committee
PARP	Poverty Reduction Action Plan
PBCRG	Performance-Based Climate Resilient Grant
PDPF	Provincial Directorate for Planning and Finance (sometimes this is also named the DPPF – the Directorate for Provincial Planning and Finance)
PEP	Provincial Strategic Plan
PEM	Public Expenditure Management
PES	Economic and Social Plan
PESOD	Budgeted, District Social and Economic plan
PM	Performance Measures
PFM	Public Financial Management
SC	Steering Committee
SDAE	District Service for Economic Activities
SDPI	District Service for Planning and Infrastructures
SETSAN	Technical Secretariat in Food Security
e-SISTAFE	National Financial Management System
SFNS	Sustainable Food and Nutrition Security
TA/CB	Technical Assistance/Capacity Building
UNCDF	United Nations Capital Development Fund

UNDP	United Nations Development Programme
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
SYGP	Five Year Government Plan

1 Executive Summary

With a sensitive climate and challenging adaptive capacity Mozambique is highly vulnerable to climate change. Changing weather patterns affect communities in different ways, including drought, floods, loss of agricultural production and food security, water stress and insecurity, rising sea levels and exposure to climate disasters, changes to ecosystems and loss of biodiversity, and human health.

Mozambique's geographical location in the Inter Tropical Convergence Zone makes it particularly susceptible to extreme climate phenomena such as *El Nino* and *La Nina*, which bring droughts, floods and cyclones on a regular basis. Available data and climatic models indicate a steady increase in the severity and frequency of these events over the last 30 years with a similar forecast for the future. The adverse effects of climate change in Mozambique undermine government efforts to reduce poverty, improve food and nutritional security, expand infrastructure and services and reach the targets set out in Millennium Development Goals (MDGs).

The problem is compounded by the fact that government agencies in charge of local adaptation activities are faced by limited funding and, at the local level, capacities that should be reinforced to fulfill these roles. Provinces and district governments have the mandate for carrying out all rural development activities outlined in their Economic and Social Plan (PES), including those linked to environment and climate change. Yet, similar to other developing countries, financing for climate change adaptation is more often than not undertaken through parallel, or off-budget, financing systems and with limited flexibility to address local specific needs. This precludes local bodies, with a mandate for climate change adaptation, from accessing these resources to improve climate resilience in its communities.

The LoCAL project is designed to address this problem by providing access to climate finance for local governments in least developed countries. LoCAL understands that local bodies have the mandate to deal with many of the issues directly affected by climate change such as drainage and water management, land use planning, road maintenance and other issues which effect food security, especially in the LDCs. Yet much of the international development assistance for climate finance flows directly to central government agencies and often through parallel projects and programmes.

LoCAL's methodology channels funds directly to the local level while providing incentives for local governments/bodies/authorities¹ to mainstream climate-adaptive thinking into everyday planning and investment, thereby encouraging systematic analysis of changing weather patterns and their impacts on local economies. The implementation model is designed based on 20 years of successful UNCDF experience in public financial management, local investments and performance-based fiscal grants.

The LoCAL initiative has been tested through two pilot projects in Bhutan and Cambodia in 2011-2013 and a number of new countries are currently starting the preparations and/or implementation of the LoCAL project such as Bangladesh, Nepal, Laos, Solomon Islands, Benin, Mali, Ghana and Niger. These pilots have built climate resilience through a Performance-Based Climate Resilient Grant (PBCRG) mechanism.

In Mozambique, the National Climate Change Adaptation and Mitigation Strategy (ENAMMC) identifies that there are important tasks for Provinces and Districts within the integrated response to climate change. The Provincial Governments and districts will need to develop strategies for Climate Change Adaptation (CCA);

¹ Note that the name of the local bodies and their political, organisational and funding systems may differ greatly from country to country.

establishing coordination arrangements with Non-Governmental Organisations (NGOs), national Ministries and other agencies; integrating CCA into planning and budgeting; receiving development budget resources earmarked for CCA and participating in monitoring.

LoCAL will empower the Provinces and Districts Governments to perform these roles through developing and funding adaptation strategies and plans, and infrastructure and services. With improved capacity, Districts will be well placed to access additional national and international CCA funds and act as coordinating agencies for an integrated climate change response as well as to provide the continuity and maintenance capacity that is often lacking from time-bound projects, with backstopping, technical assistance and capacity building (TA/CB) and coordination support from the provinces.

LoCAL will ensure a strong collaboration with other local level climate change (CC) projects, see Annex 1 on links with other projects, but has the unique features of linking: i) the funding support to local bodies, based on formula-based, transparent procedures for horizontal allocation of funds with ii) capacity building support/TA, and iii) strong incentives for the involved districts to enhance performance (through annual objective and credible performance assessments) (performance-based grant allocation) in a mutually strengthening manner. Different from most other projects in the area of CCA support, LoCAL work through and make use of the government systems of planning, budgeting, procurement, accounting and reporting, and supported strengthening of these systems.

Beyond supporting districts to increase access to CCA financing, LoCAL will also support provinces and districts' access to technical expertise on climate change adaptation and mitigation to support the implementation of CCA projects funded through the PBCRG.

LoCAL builds on the intergovernmental fiscal grant system in the Mozambique and the previous experiences from UNCDF support to local Public Financial Management (PFM) and fiscal system development and support a multi-sector and integrated development approach.

At the global level, as a participating country in the LoCAL project, Mozambique will be a member of the LoCAL Project board together with the other participating countries. This provides access to a network of stakeholders involved in global climate finance and how it can be accessed at the local level. Being a part of the international network on local government climate change resilience will improve the bargaining power of Mozambique in negotiating and accessing global climate change funds.

The LoCAL initiative in Mozambique will contribute to the overarching outcomes of this global project. However it is important to stress that the LoCAL outputs in Mozambique are contextualized to meet the specific adaptation challenges of improving food and nutritional security, promoting the sustainable management of natural resources and increasing the resilience of rural communities and their environment to the adverse effects of climate change. Especially in the case of Mozambique, and in the first phase of the program, the initiative will be closely linked and contribute to the longer-term impact of the BFFS/FNSP² in Gaza Province to reduce vulnerability of the people in the target areas, and strong synergies between the two initiatives have been ensured in the preparations and design of LoCAL. LoCAL and the Food Security and Nutrition Programme (FSNP) –to be implemented in six Districts of Gaza Province 2014-2018-, are integral parts of the UNCDF development strategy in the country. LoCAL outcomes and outputs will directly contribute to the achievement of the FSNP short and long-term objectives, impacts, outcomes and outputs. A gradual development approach will be applied where the use of national systems will be supported by the reinforcement of the multiple dimensions associated to the PFM system at the local levels whereby

² Food and Nutritional Security Project funded by the Belgium Fund for Food Security.

LoCAL and the FSNP follow the government development policy to promote a gradual approach to the decentralization process and its implementation strategy. This will encompass use of a phased and multi-sectoral approach to strengthen local planning, PFM and accountability systems and procedures as well as the local climate change adaptation efforts.

The **outcome** of LoCAL will be that: *“The resilience of districts to climate change has improved as a result of increase in access to climate change adaptation financing through performance-based climate resilient grants (PBCRG)”*.

LoCAL will have 5 related **outputs**, which are further detailed in the following Program Document:

- **Output 1:** Effective performance-based climate resilient grant system (financing mechanism) is established in Mozambique and operational for additional funding;
- **Output 2:** Inclusive, effective and accountable CC mainstreamed planning and budgeting processes at the district level;
- **Output 3:** CC resilient investments (infrastructure and services) are managed efficiently and effectively and transparently implemented by the participating districts through the PBCRG system (actual outputs in terms of tangible project outputs);
- **Output 4:** LoCAL M&E system and lessons learned developed to inform national policies and processes of integration of CC in all steps of the local PFM process, and
- **Output 5:** Completed roll-out plans and capacity building support for new districts in the new provinces (to be covered by phase II) by end of program, **phase I**.

The outcome and outputs of LoCAL are entirely consistent with the two main policy instruments for environmental management and climate change adaptation and mitigation in Mozambique; the National Climate Change Adaption and Mitigation Strategy,(ENAMMC, 2013-2025) and the National Adaptive Plan of Action, (NAPA, 2007).

The strategy for roll-out of LoCAL will be phased, with the first period covering the highly vulnerable districts of Massingir, Guijá, Mabalane and Chicualacuala in Gaza Province, which are also districts covered by the FNSP to ensure strong synergies. From the last year of the first phase (2018) LoCAL will prepare the up-scale to another 8 districts, also chosen because of their high degree of vulnerability to climate change. These will be the districts of Chigubo, Massangena, Chókwe and Chibuto in Gaza province and the districts of Jangamo, Panda, Funhalouro and Mabote in Inhambane province (phase II from 2019-21). . The longer term – phase III (from 2022) - ambition is to extend LoCAL to the entire country as an integrated part of the intergovernmental fiscal grant system, working as a top-up of the investment grants. The present proposal is for a first phase to be implemented in one province and 4 districts. Whilst climate change vulnerability is general throughout Mozambique, the provinces covered by the first phases all experience immediate climate-related problems and indications of long-term deteriorating trends.

LoCAL in the Mozambique is expected to start in the 4th quarter of 2014 (with preparations, finalisation of guidelines, chart of accounts codes, institutional framework set-up etc.), which will allow support to the first round of planning in 2015 for the 2016 fiscal budget allocations. Phase I will support three rounds of PBCRG allocations (FY 2016, FY 2017 and FY 2018). During 2018, results and lessons learned will be reviewed and, subject to agreement with Mozambique, availability of funding and compliance with minimum access conditions the second phase (2019-2021) will start in the in the 12 districts mentioned above.

With support costs, the budget of LoCAL for the first phase is estimated to be at least EUR 2.37 million (or USD 3.12 million), of which the PBCRG element takes up: USD: 1.5 million (3 rounds of PBCRGs). Ongoing discussion with development partners will continue to increase the already mobilized budget for LoCAL in Mozambique. Other main costs are related with support to CC mainstreaming in planning and budgeting processes, M&E, annual performance assessments, policy support, and technical assistance to all three levels – district, provincial government and central government for local level CC adaptation support.

This document includes the overall design of LoCAL, as well as supporting guidelines and manuals (annexes).

2 Introduction and Context

2.1 Context – Overall System of Government and Legal Framework

Climate change in Mozambique brings about an increase in the variability, frequency and severity of extreme weather events. Even though the whole world's population is susceptible to these changes, poor countries have the least means to cope with them. For example, data from the Institute for Disaster Relief Management (INGC)³ shows that 16,444,000 people were affected by various droughts, which Mozambique faced between 1985 and 2008 and over 100,000 people died as a result. Moreover, poor countries often hold a disproportionate number of people living in vulnerable areas, and often demonstrate high dependence on natural resources. Over 98% of people affected by climate disasters between 2000 and 2004 were in the developing world (UNDP, 2008). Therefore adaptation needs are especially urgent in least developed countries (LDCs).

Often, poor peoples' strategies for coping with climate risks reinforce their deprivation, e.g. when producers forgo the production of higher value crops because they are less draught resistant, or when poor households are forced to sell productive assets to cope with a climate shock (UNDP, 2008). Over time, these coping mechanisms can create life-long cycles of disadvantage, locking vulnerable households in low human development traps. With the especially tough consequences of climate change for the poor and vulnerable in the world, there is an urgent need for strengthening climate variability resilience for reducing vulnerability and strengthening adaptation capacities to avoid irreversible damage to people, their livelihoods and ecosystems.

But changing weather patterns affect communities in different ways. From loss in agricultural production and food security, water stress and insecurity, rising sea levels and exposure to climate disasters, changes to ecosystems and loss of biodiversity, and human health, the impact of climate change depends on local specificities, and their adaptation strategies should vary accordingly. Existing funding for climate change adaptation remains mostly in large-scale national projects and institutions, bypassing local communities and their institutions. One way of improving the effectiveness and accelerating the speed of implementation for climate change adaptation in LDCs is to engage the sub-national government level more meaningfully through use of a multi-sector approach. This is because much practical and meaningful adaptation falls within the mandate of local governments. These bodies are routinely adapting to environmental changes, often with limited resources. Not only are local-level institutions best placed to identify local adaptation needs and priorities, local responses can also create opportunities for innovative public-private partnerships, increasing the amount of resources dedicated to adaptation.

³ INGC 2009, Study of the Impact of Climate Change on Disaster Risk in Mozambique

The decentralisation process in Mozambique has been a combination of decentralisation and deconcentration with a gradual transfer of responsibilities, powers, staff and funding to the municipal tier as well as to the more deconcentrated levels – provincial and district governments.

The provincial as well as the district level are not autonomous governance levels. They are deconcentrated administrative tiers of the central government albeit with a gradual increase in decision-making power over own plans and budgets over the past decade. The executive officials in charge of each sub-national administrative unit (the Provincial Governor or the District Administrator, respectively) are centrally appointed, but there are people representatives at the provincial government level – through the PG assemblies, as well as at the district level with consultative councils/committees at the district, administrative post and locality level.

There are 4 levels of local government: province, district, administrative post and locality. A province comprises a number of districts, administrative posts, localities and villages. Provinces are responsible for coordinating the activities of districts, but districts adopt their own plans and budgets. The provinces are governed by Provincial Governors directly appointed by the President. To support the Governor a Provincial Permanent Secretary is nominated by the Minister of MAE (Ministry of State Administration). Other members of the provincial government are Service Directors nominated by the relevant minister. A district comprises administrative posts, localities and villages. The district is responsible for allocating budgets to administrative posts and localities. The District Administrator is a representative of the central authority, and is responsible for managing the District Government. The District Administrator is nominated by the MAE, based on a proposal by the Provincial Governor. The District Government is comprised of a District Administrator, a District Permanent Secretary and Directorates of District Services, representing the major sector areas. The Administrative Post has a "Chefe de Posto" and his/her administration staff. The Chefe de Posto is nominated by MAE based on a recommendation by the Provincial Governor. At the locality level there is also "Chefe de Localidade" who is nominated by the Provincial Governor, based on a recommendation by the District Administrator.

The Government of Mozambique initiated the process of deconcentration as part of its public sector reform in 2003, culminating in the approval of a new institutional framework for sub-national state organs under Law 8/2003 (*Lei dos Órgãos Locais do Estado-Law on Local State Organs – LOLE*), which establishes new principles and norms of organization, competencies and functioning of provinces, districts, administrative posts and localities.

A central theme of LOLE is that the **district level** in Mozambique is "the principal territorial unit of the organization and functioning of the local administration of the State and the base of the planning of the economical social and cultural development of the Republic of Mozambique."

In contrast to the municipalization process, which constitutes decentralization through devolution, the reform of the state administration comprises a 'lesser' notion of decentralization, namely 'decentralization through deconcentration.' Yet, whereas LOLE specifies a continuation of deconcentration of the state administration, the nature of deconcentration that it prescribes is considerably different from the previous approach to deconcentration, and from typical deconcentration processes in other countries.

In contrast to the previous practices, LOLE establishes a more integrated and horizontally or 'territorially' deconcentrated model of sub-national administration, whereby the district is coming to play a more important role as a territorial sub-unit of the province and where the districts are in charge of budgeting, planning, accountability and reporting within areas defined in the various laws and overall planning and budget guidelines. Within the new institutional framework, province and district are not hierarchically

integrated. Instead, LOLE assigns different functions to the province and district level and although the district is administratively and politically subordinate to the provincial level, each level has its own annual plan and budget. As a result, the central level, provincial level, district level and municipalities each are considered a 'sphere' within the national budget framework. Districts are also getting their own stream of funding from various types of grants, especially from the district development funds (DDF's) and the infrastructure grants as well as from a range of smaller own source revenues.

LOLE further introduced the legal framework for mechanisms of participation by local communities at the sub-national levels of government through the creation of Consultative Councils/Committees. But, despite these emergent participatory mechanisms, sub-national levels remain deconcentrated levels of the State although the process of grass roots involvement in government is steadily increasing.

The LOLE's regulations assign both general and specific 'competencies' to the district level. According to Article 46 of LOLE's Regulations, the general competencies assigned to the **district** level are:

1. To direct the execution of the Program of the Government and the Social and Economic Plan (PES);
2. To approve the development plan and the budget of the district;
3. To approve the books of accounts and the district budget and to submit them to the Provincial Governor;
4. To approve execution reports of the local development plans;
5. To watch over for the collection of tax revenues and non-fiscal revenues of the State in its area of ability;
6. To guarantee the defence and consolidation of the public domain of the State and the property of the State in the respective district;
7. To determine the taxes and tariffs of non-fiscal revenue sources, as provided for by law;
8. To approve its own internal regulations.

In addition to these general executive and administrative functions, Article 46 of LOLE's regulations further assigns detailed competencies to the district level in a large number of functional areas, notably: emergency services, preservation of the environment, commerce and industry, water supply, education, health, natural resource management, energy resources, transportation and public transit, participative local development, public services, such as public cemeteries, slaughter houses, markets and fairs, public works, recreation, culture and tourism, and it is generally seen that the district may support service delivery and infrastructure up-grading in a range of areas (see section 3.3. for further details).

2.2 The Local Climate Adaptive Living Facility (LoCAL)

How can those local bodies in various countries, responsible for meaningful and practical climate change adaptation at the local level access the international resources designed for this purpose?

LoCAL is a Global Facility, designed to resolve this challenge. It supports local government's access to climate financing to implement CCA activities in target countries. LoCAL's overall development objective is to increase financing for and investment in climate change resilience and adaptation at the local level in least developed countries, thereby contributing to the achievement of the Millennium Development Goals (MDGs), particularly the specific goals of poverty reduction (MDG1) and environmental sustainability (MDG7). LoCAL understands that most climate change resilience and adaptation finance flows to central government agencies and is more often than not undertaken through parallel, or off-budget, financing systems, yet local governments have the mandate to deal with many of the issues directly affected by

climate change such as drainage and water management, land use planning, road maintenance and other issues which effect food security, especially in the LDCs.⁴ LoCAL supports mainstreaming of CCA in planning and budgeting, increased awareness to CCA, increased funding and efficient operations through use of a multi-sectoral and integrated approach.

LoCAL deals with the problem by providing a transparent, efficient and effective mechanism for local governments' to access funds for climate change adaptation through existing financial and public expenditure management systems through provision of "top-up" grants, while reinforcing incentives for good performance, building capacity and supporting policy development for climate change adaptation at local level. Success in each country is measured by the volume and effectiveness of financing that LoCAL unlocks, whether from governments or international institutions and funds. National governments themselves may also increase the volume of climate finance to local government through LoCAL. The initiative is based on 20 years of UNCDF experience in public financial management, local investments and performance-based fiscal grants in developing countries through use of a multi-sectoral and integrated approach to development.⁵

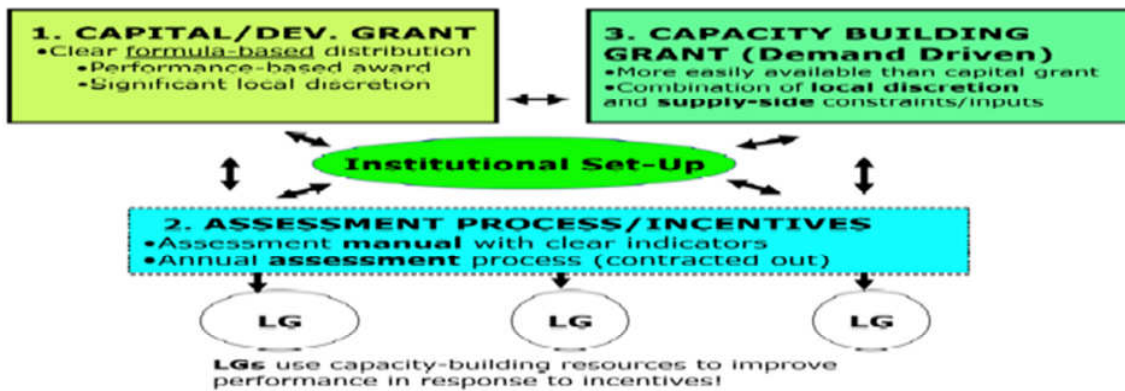
LoCAL's methodology channels funds directly to the local level while providing **incentives** for local governments to mainstream climate-adaptive thinking into everyday planning and investment, thereby encouraging systematic analysis of changing weather patterns and their impacts on local economies. The implementation model is based on successful previous UNCDF experiences, and developed with sustainability in mind seeking to ensure ownership and accountability at all levels. Once the system for intergovernmental fiscal transfers is established and local governments perform credibly, any donor or indeed the national government can channel additional resources for climate resilience through the system with no additional overhead cost. The LoCAL facility is therefore globally the first climate financing mechanism, which exclusively targets local institutions and their adaptation capacities. Over time, the aim is for local governments to build their revenue generation and management capacities so that they can match external funding with own resources as part of their resilience plans.

LoCAL also builds on the successful linkages and synergies between development grants for investments (top-up grants from LoCAL for a well-defined investment menu of eligible expenditures), capacity building support and performance incentives as described in figure 1. The development grants provide discretionary funding for LGs to improve service delivery; capacity building support provide them with needed performance capacity and absorption capacity to handle funds properly and effectively, and the incentives in the performance-based elements of the system the means to ensure that the CB support is actually applied in system with mutually strengthening components.

⁴ www.aideffectiveness.org/images/stories/workshop%20summary_Implications%20of%20decentralisation%20and%20LG%20on%20climate%20finance%20delivery%202012.pdf and www.aideffectiveness.org/Asia-Pacific-Local-Practitioners.html

⁵ UNCDF, Performance Base Grant System (PBGs), Concept and International Experience, www.undf.org

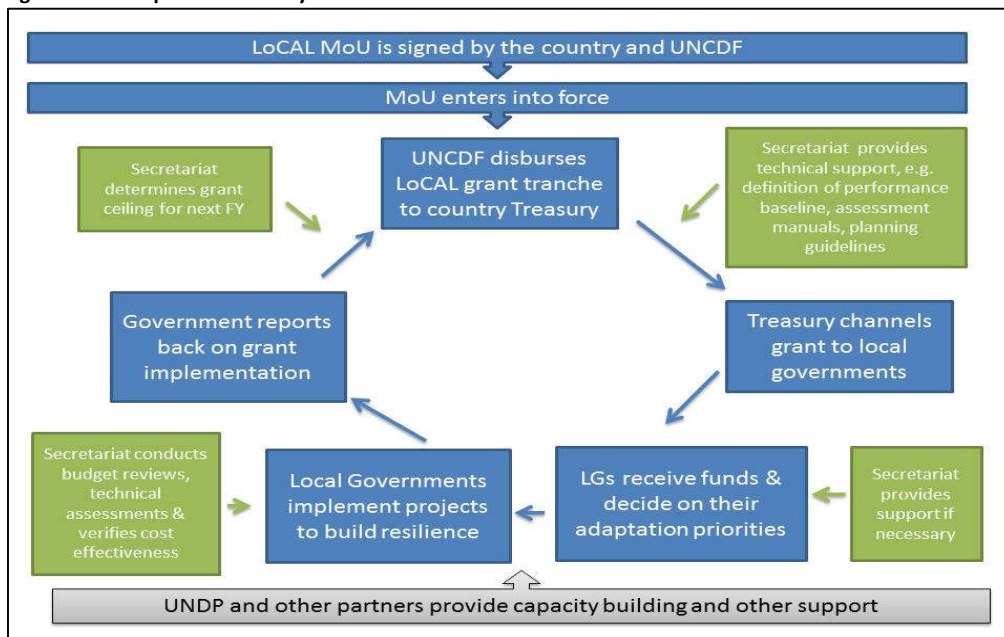
Figure 1: Performance-Based Grants – Main Components⁶



See Steffensen, Jesper in UNCDF: Performance-Based Grants – Concept and International Experiences, UNCDF 2010.

LoCAL transfers funds directly to local governments using – to the extent possible- the existing channels for flow of funds. Figure 2 illustrates how the implementation of LoCAL works.

Figure 2. The implementation Cycle of the LoCAL⁷



⁶ Note in some countries, most or all of the CB support will be handled by central level supply in the initial phases until LGs have the capacity to be in the drivers seat and manage the CB grants.

⁷ Note in some countries LoCAL may provide funding directly to LGs instead of through treasury with a view gradually to mainstream funding flows with the general system.

The LoCAL initiative is currently operational in Bhutan and Cambodia as the first two pilot countries and Bangladesh, Nepal, Benin and Mali as the new participating countries. During 2014, start-up is expected in Laos, Ghana, Niger and the Solomon Islands. Through the piloting process, LoCAL tested the innovative methodology and approach to improve climate resilience and the capacity of local governments. The pilots have proved that local governments (LG's) are able to implement the LoCAL piloting projects through a Performance-Based Climate Resilient Grant (PBCRG) mechanism, and that they can handle investments in CC relevant activities at this level. This is carried out through existing intergovernmental fiscal transfer systems, and /or closely linked with these.

LoCAL is directed by a Board consisting of participating countries and is administered through a Secretariat. The Secretariat deploys specialist expertise to support LoCAL country programmes, facilitates sharing of experiences and manages the monitoring and evaluation system to ensure effective use of funds.

3 Mozambique and Climate Change

3.1 Adaptation Challenges in Mozambique

Due to its geographical location in the Zone of Inter-Tropical Convergence, its 2,700 km coastline and its 13 major river basins (9 shared with other countries), Mozambique is particularly vulnerable to climate change (CC). According to the Maplecroft Global Risk Analysis⁸, it is considered to be the fifth most vulnerable country in the world. The impact of CC in Mozambique is felt through the following occurrences:

- Changes in temperature patterns
- Changes in rainfall patterns
- Droughts
- Floods
- Cyclones
- Sea-level rises
- Sea temperature rise

The consequences of these phenomena are multi-sectorial and include lost crops and animals, the destruction of social and economic infrastructure, price increases for agricultural products, a deterioration in human health, environmental degradation and loss of eco-system diversity. The effects of climate change are undermining the efforts of the Government and its partners to reduce poverty and attain the MDG's. See table 1 below for CC impact/sector:

⁸ <http://maplecroft.com/about/news/ccvi.html>

Table 1. Climate change impact/sector

Sector/area	Temp. range Change	Rainfall range change	Droughts	Floods	Cyclones	Sea level rise	Sea temp. Rise
Water Resources	XXX	XXX	XXX	XXX	XXX	XX	XX
Infrastructures		X		XXX	XXX	XX	
Agriculture	XX	XXX	XXX	XXX	XXX	X	
Food Security	XX	XXX	XXX	XXX	XXX	X	
Forests	XX	XXX	XXX	XX	XXX	X	
Industry		X	XXX	XXX	XXX	X	
Energy		X	XX	X	XX		
Health	XX	X	XX	XX	XX	X	X
Tourism	XX	X	XX	XX	XXX	X	X
Transport	XX	X		XXX	XXX	XX	
Biodiversity	XX	XXX	XXX	XXX	XXX	X	XX
Coastal zones	X	X	X	XXX	XXX	XXX	XX
Human Settlement	XX	XX	XXX	XXX	XXX	XXX	X
Fisheries		X	X	X	XX	XX	XXX

Source: (Mozambique) National Strategy for Climate Change Adaptation and Mitigation (ENAMMC, 2013-2025)

Food security and climate change are two of the major global challenges humanity is facing and are increasingly identified as security issues in addition to their humanitarian and developmental impact. Indeed Maputo has seen food riots in the recent past ⁹

According to baseline studies done by the United Nations Joint Programme¹⁰, 94% of households interviewed in Chicualacuala district in Gaza province were affected by drought or irregularity of the rainfall and others affirmed that they suffered from increases in food prices. Actions taken by households in response to hunger include rural families consuming and selling a wide range of products from non-cultivated plants including native tree products. For example, charcoal production has increased sharply in the last few years as a result of drought leading to increased deforestation and land degradation. Another adaptive response to climate change is the increase in male migration to South Africa or to Maputo in search of work, thereby increasing the number of women headed households that are among the most vulnerable to droughts and floods.

The vulnerability of Mozambique to climate change is exacerbated by:

- Limited local infrastructure
- Partial technology inputs and a continued reliance on subsistence cultivation
- Strong dependence on agriculture and little diversification into other agrarian activities
- Considerable challenges to access to formal jobs
- Limited educational level of household members
- Low social, economic and spatial integration including familial, institutional community and market and urban-rural relations;
- Limited funding to support national institutional capacity to design policy guidelines to counter the climatic vulnerability of the country.

⁹ Food security and Climate Change, HLPE Report 3, 2012

¹⁰ The UN Joint Programme on Environmental Mainstreaming and Adaptation to Climate Change, 2008-2012

Projected CC trends for Mozambique

According to a recent study by INGC¹¹, mid to long term CC trends are not encouraging. They indicate a steady rise in temperatures throughout the country together with an increase in the number of hot days and nights. Rainfall trends show an increasingly late start to the rains, increased intensity of rainfall, a longer dry period and increased rates of evapotranspiration, particularly in the south of the country, leading to an exacerbation of drought conditions in what is already a drought prone and food insecure region.

The forecast changes will have economic, social and environmental effects. The projected impact of CC on water availability in the south of the country is particularly worrying as rivers dry up and ground water reserves become depleted. There are already signs that this is happening in southern Mozambique. For example, in agriculture, crop yields are decreasing and pests and diseases are on the increase. In the livestock sector a decline in animal health and productivity is noted. Ecosystem changes are also taking place with an alteration in their ecology as forests are cut down, land is cleared for agriculture, and rangelands are overgrazed leading to the disappearance of some species and the appearance of new ones. Effects are also felt in the health sector with an increase in water borne disease, such as diarrhoea and cholera, and an increased incidence of malaria. These impacts directly affect the means of community subsistence, limiting livelihood options and reducing food and nutritional security¹².

Climate change impact is felt most through droughts, floods and cyclones. In terms of the number of persons affected, droughts and floods are by far the most serious. The INGC, assisted by various development partners, has a long-term programme to increase disaster risk reduction (DRR) capacity at all levels of government. Significant gains have been made with the establishment of national, provincial and district level DRR structures, which have greatly improved the early warning capacity, a fundamental first step in saving lives in the event of floods and cyclones. However, coping with the more insidious effects of drought remains a major development challenge.

With a long and exposed coast line, Mozambique is susceptible to tropical cyclones which regularly assail its coastal zones, particularly in the Centre and North. But, the most extreme effects of climate change are felt through droughts and floods, particularly in the Limpopo and Zambezi River Basins. These are the two largest river basins in the country with tremendous food production potential which is currently not being fully realised, partly because of these climate shocks. The single worst impact of climate change, as temperatures rise and rainfall decreases, is drought, which affects more households than any other climate related factors. Of all the provinces in Mozambique, Gaza, which forms part of the Limpopo River Basin, is most vulnerable to the effects of droughts and floods. This compounds the existing problems of food insecurity and high prevalence of HIV/AIDS and thereby greatly reduces household and community capacity to adapt to climate shocks. As their crops dry up and their livestock die of hunger and disease, rural communities turn to the forest for income and food which results in deforestation and degradation of the natural resource base. These processes are already well advanced in part of the interior of Gaza province and urgent measures are necessary in order to make the eco-systems more resilient to climate change.

Section 3.5 below and annexes 1-3 provide for more information on adaptation challenges and current

¹¹ National Disaster Management Institute (INGC), Study on the Impact of Climatic Alterations on Disaster Risk in Mozambique: Report Synthesis, 2009.

¹² Hachileta, E. 2009: An appraisal of community vulnerability and adaptation to climate change in Mapai, Chicualacuala district using the CRISTAL tool (study conducted as part of the UN Joint Programme)

initiatives in Mozambique as well as an overview of vulnerabilities of provinces and districts.

3.2 Government Policy on Climate Change Adaptation

The Government of Mozambique has a strong focus on Climate Change and is a signatory to various international agreements on environment and climate change. The Ministry for the Coordination of Environmental Affairs (MICOA) is the ministry with overall coordinating responsibility for climate change adaptation and mitigation. Since its inception MICOA has promoted the climate agenda amongst the more powerful sector agencies. Accordingly it has remained heavily dependent on externally funded projects for much of its core business. A recent report has highlighted how Mozambique displays a high level of strong policy statements, but with challenges in policy implementation. Many sector ministries have their own climate change plans, and these should always be coordinated with MICOA. A study by Cabral and Francisco (2008) notes that: “A study of environmental institutions and public expenditure concludes that the link between policy statements and budget allocations in Mozambique is weak. Although environment is well integrated in the Action Plan for the Reduction of Absolute Poverty PARPA II, the actual budget allocation to environment was a mere 0.9% of GDP, which is considerably lower than the World Bank’s recommended spending on the environment for developing countries (between 1.4% and 2.5%).”

Over the years the government has passed a number of laws and decrees designed to protect the environment. However, there are still none that specifically relate to climate change adaptation or mitigation. The policy instruments for environmental management and climate change adaptation and mitigation in Mozambique are contained in two key MICOA documents. These are the National Climate Change Adaptation and Mitigation Strategy,(ENAMMC, 2013-2025) and the National Adaptive Plan of Action, (NAPA, 2007).

The ENAMMC was elaborated by an inter-institutional working group including the private sector and civil society organizations. Its specific objectives are:

- To make Mozambique more resilient to climate change
- To reduce greenhouse gases and promote low carbon development;
- To strengthen institutional and human capacity to implement the Strategy

In the operationalization of the objectives the document identifies two main pillars through which the structure and orientation of actions will be formed:

1. Adaptation and management of climatic risks
2. Mitigation and the development of low carbon

In addition to the actions within each of these two pillars the action plan outlines interventions that should be tested to respond to the above objectives, broken down into short, medium and long term and corresponding to the three levels of government, beginning at the district level:

In the short term (2013-2015) the focus is to increase **local** resilience, combating poverty and identifying opportunities for the development of low carbon at the community level and include these in **district planning**.

In the medium term (2015-2019), the focus will be on the increase in **provincial** resilience, combating poverty and identifying opportunities for the development of low carbon and include these in provincial planning.

In the longer term (2020-2025), the aim is to increase **national** resilience, combating poverty and identifying opportunities for the development of low carbon and include these in national level planning.

Recognising the need for policy changes in order to orientate and capacitate the various government bodies involved in climate change adaptation, the ENAMCC outlines actions for revision of the legal and institutional framework that will be undertaken to enable the effective implementation of the strategy.

The goal of the NAPA is to strengthen national capacity to cope with the adverse effects of climate change through the achievement of the following specific objectives:

- Strengthen the early warning system in the country;
- Strengthen the capacities of family farmers to dealing with the adverse effects of climate change;
- Improve the knowledge and strengthen the management of river waters;
- Promote actions to limit erosion and to develop sustainable fishery activities;
- Promote actions that will contribute to the mitigation of Greenhouse Gases (GHG);
- Promote public education activities and information dissemination on climate change;
- Improve the coordination between the various groups that work on issues related to the evaluation of climate change vulnerabilities and hazard risk reduction;
- Promote the integration of climate change into decentralised district planning.

It is of special importance to LoCAL that its objective of increasing climate change resilience at the local level and the mainstreaming of CCA into planning and budgeting at the district level are entirely consistent with the objectives of the **ENAMMC and NAPA**, and LoCAL will fit well within the overall policy and strategies to enhance local level resilience.

3.3 Government Decentralisation Policy and overall Funding System

LoCAL also fits well and is consistent with the GoM's overall policies including the GoM's Decentralisation Policy and Strategy¹³ and focus on developing of the districts as the local planning and budgeting unit for local level interventions, bringing decisions closer to the people and supporting participatory involvement at the local levels.

According to the GoM's Action Plan for Poverty Reduction (PARP) the relevance of "decentralization and the de-concentration of functions and resources to the local level so that local government will have greater capacity to function and provide services to the citizens" is increasingly in focus.¹⁴ It also highlights the function of local authorities in terms of improving the business climate to enhance further inclusive local economic development, which is considered a strategic pillar for the achievement of food and nutrition security and climate change interventions.

¹³ GoM Decentralisation Policy and Strategy, July 2013, approved by the Council of Ministers on 18th September 2012.

¹⁴ Poverty Reduction Strategy Paper. Mozambique, p13.

2003 saw the approval of the Law for Local State Bodies known as LOLE, Lei dos Órgãos Locais do Estado.¹⁵ LOLE as its name implies, defines the role, responsibilities and status of provincial and district governments as de-concentrated units of the central state. It reaffirms their subordination to central government and legally formalizes central-local relationships, which to some degree were already accepted in practice. However, LOLE also seeks to make the local state more cohesive and integrated, tipping the balance between the sector ministries and the territorial units of the local state in favour of the latter.

Whilst to some degree maintaining and supporting the current governance structures, LOLE introduces some important changes, which are already beginning to have a profound impact. These are most significantly felt at the district level where LOLE, for the first time, establishes the District Government as a legal entity, comprised of the district administration and a number of District Services and accords to it the status of a budgetary unit giving it the responsibility to prepare its proposals and receive budget funding. Moreover the district development plan is, for the first time, legally recognized as the principal instrument for planning and budgeting. The law's principal sponsor was the Ministry for State Administration (MAE), but in these latter two components the role of the Ministry of Planning and Finance is important.

Guidelines for the implementation of LOLE, are provided in a separate set of Rules and Regulations which were approved in April, 2005. These regulations show the extent to which the planning and budgeting instruments developed during the first phase of the decentralized planning and finance programme have influenced and been incorporated into law. For example, there is clear reference to the district development plan, the provincial (strategic) plan, and the provincial and district annual operational plans and budget with clear guidelines about their respective hierarchy and the respective roles of the community, the local government and the central organs in their approval.

Furthermore, the legislation makes reference to methodological issues in that operational plans and budgets are to be guided by provincial and district development plans and not only centrally defined, government policy and that in order for the district to fully incorporate relevant income and expenditure in its budget, it will require information on central level expenditure proposals carried out at provincial level and district level. The operational modality for decentralized planning based on multi-sector technical teams established at provincial and district level is also recognized.

Greater emphasis is given to the district and provincial governments as a whole instead of to individual line agencies. The Provincial Governor accumulates the additional executive power to authorize district level investment in health and education; the Governor may delegate this responsibility to district governments. The District Administrator and the District Government become responsible for service delivery in the district. A new post of Permanent Secretary has been established at both levels to facilitate their work on and in coordinating and supporting the multi sector teams referred to above.

Finally, there is recognition of the participatory and inclusive nature of decentralized planning and financing. "Conselhos Distritais" are given a role in the preparation, approval and implementation of the planning instruments at district level in addition to a wider requirement to consult and involve the community in decisions. "Conselhos de Coordenação" between district and administrative post and

¹⁵ This rather cumbersome title is probably best translated as the Local Government Act. The term "Local Government" is in itself not entirely appropriate in the Mozambican context, but is used here in some sections to describe the "local bodies" at the deconcentrated level.

between district and province provide institutionalized channels for the communication necessary for the full implementation of the LOLE. Whilst the legislation does not refer directly to them, it is anticipated that “Assembleias Provinciais” will have role in the approval of the provincial planning instruments, and the new planning guidelines from Methodology for preparation of the proposals-Economic and Social Planning and State Budget, for 2015 refers explicitly to this (section 3.4). The same methodology (guidelines) has provisions for the districts plans and budgets.

Over the last twenty years, the Government of Mozambique has made substantial efforts in the field of decentralized governance for local development. Based on broad donor support for decentralization reforms, the Ministry of State Administration, the Ministry of Planning and Development and the Ministry of Finance have development policies and strategies for the gradual enhancement of decentralized governance and local development. These serve to consolidate government functions at the decentralized level and strengthened the importance of district development plans and the system of consultative councils at district and sub-district level to facilitate community participation in the planning and development process. Participatory decentralized planning was piloted by UNDP/UNCDF in Northern Mozambique in the period 1998-2008.

More recently, in 2012 the Council of Ministers approved the **Decentralization Policy and Strategy**, which builds on and seeks to consolidate the achievements at local level in the period 2003-2012. The strategy identifies **districts** as the focal point for local development and seeks to strengthen institutional capacity to manage the development process in a participative way at both district and sub-district level and to enable districts and local communities to play a larger role in planning, implementation, management and monitoring of development activities. The main aim of the strategy (art. 2.3) is to:

1. Promote the participation of the citizens and communities and other players in local governance;
2. Improve the performance of local administration of the state and the municipal administration through mechanisms that lead to efficiency and effectiveness in terms of service provision;
3. Promote convergence and interaction among the various forms of decentralisation – democratic decentralisation, empowerment of communities and deconcentration – as coordinated movements aiming at the promotion of local development and welfare of the populations;
4. Promote the continuous training of those involvement in the process of decentralisation in particularly central and local bodies and institutions of the state, local municipalities, communities and citizens.

Amongst the pillars in the strategy is the introduction of formula-based transfers systems, strengthening of own sources revenues, integrated district structure, promotion of participatory planning procedures and involvement of women and capacity building for the officials and others involved in the process. Furthermore the strategy emphasizes the need to strengthen local capacity to deal with natural disaster risk management as an integrated process of governance planning local development (art. 4).

Decentralization and de-concentration are also the main objectives of the **Public Sector Reform Programme** with the main goal of giving the district level organizational capacity:

- a) to interact with other social actors in the fight against poverty and promotion of economic growth,
- b) to institutionalize participative methods of planning;
- c) to reinforce the provincial government actions and responsibilities; and
- d) to expand the local participatory planning in the context of the administrative and financial decentralisation process.

Another key strategic objective in terms of Public Financial Management is to promote greater comprehensiveness, accountability (including transparency), effectiveness and efficiency in the management of public funds, and efforts have been put into strengthening of local level planning, budgeting, accounting and reporting, especially through the introduction of the computerized SISTAFE system.

As a result of these developments the structures, systems and processes have gradually been put into place to provide a platform to anchor climate resilient interventions in close coordination and linkages with other programs especially on food security and nutrition.

Overall funding system with core tables and trends

LoCAL also fits well with the overall LG funding system. A process of allocating discretionary investment budgets to district governments started in 2006 and has gradually increased in scale. Two sources of investment funding are currently available at district level: the **District Development Funds (DDF)** colloquially knew as the “*Sete Milhões*”¹⁶ and the **District Infrastructure Fund**. The DDF is allocated to individuals and community associations in the form of small loans for food production and income generation projects. These projects are discussed and later on selected by the Consultative Councils/Committees. However, the second stream, the District Infrastructure Funds are for the construction and/or maintenance of infrastructure and more the typical focal areas for LoCAL. Projects are identified in the district development plan and then programmed in the annual plan and budget (PESOD). The introduction of district investment funds replicates the LDF model introduced by UNCDF in Nampula and Cabo Delgado provinces. The value of the funds varies from district to district according to a rudimentary allocation formula, not yet fully operational¹⁷. Since 2008, a range of additional functions, responsibilities and funds within the education, health, water and road sectors have been decentralized to district level albeit on rather limited bases. In terms of LoCAL which focuses on the strengthening and climate proofing of investments with the aim to enhance resilience, the infrastructure grant is the most relevant, and the LoCAL PBCRG will apply the PFM procedures for this scheme, and add additional resources for local level planning and implementation, see below. As it appears from **Annex 10**, the size of the overall grants have increased over the years, but mostly related with the recurrent costs due to de-concentration of payment of salaries and other recurrent costs. The funds available for investments have shown a limited nominal increase, but if inflation is factored in, the trends have been somehow decreasing, see **Annex 10**. Hence districts are in significant need for additional funds for core investments especially to address issues such as

¹⁶ 7 million Meticaís was the amount initially allocated to each district.

¹⁷ Some reports indicate that the formula is not yet strictly applied, but it is supposed to be based on criteria on size of population, size of the land/territory of the local body, poverty level and revenue mobilisation efforts.

disasters, food security and nutrition, and increasing challenges from climate change, which adds to the costs of investments and services delivery in all phases of the programming.

With the introduction of the national financial management system SISTAFE in 2008 the government has committed to significantly increase the proportion of development funds managed at the provincial and district level. The process of decentralization is being assisted at the all levels of government by the World Bank funded National Project for Decentralised Planning and Finance (NPDPF) which is supported by UNDP and development partners in three provinces in the country, including Gaza.

Challenges in the local government system

Nevertheless, despite the efforts and progress that has been made to date in the decentralization process, there are still significant challenges to be addressed in the decentralization process and in targeting the climate change related interventions at the local levels. As for the analytical work on the preparation of the FNSP, the LoCAL preparatory work has identified a number of gaps in the local level capacity and performance, which needs to be addressed in the coming program. Firstly in terms of funding, there is lack of budget allocations for actual investments in core infrastructure and services with the aim to strengthen CC resilience. Most of the current funds available in e.g. Gaza districts are used on keeping the current level of buildings and infrastructure up and running, but there is very limited room for improvements and new facilities as well as improvement of the resilience of the existing stock of infrastructure. Second there are – despite the improvements in the most recent years – gaps in the level of participatory planning, inclusion and other governance areas, which should be addressed through a combination of capacity development support, Technical Assistance (TA) and incentives. In the short term it is expected that climate change considerations will be factored in and mainstreamed with the general planning, budgeting, accounting and report processes. Moreover, these planning initiatives need to be better linked to the more effective use and efficient management of the limited investment funds available to district governments, with planning and budgeting under a resource constrained well know budget envelope. Coding and registration and monitoring of CC initiatives are yet to be established, and the entire reporting, monitoring and project supervision need strengthening. Cross-cutting considerations in the planning and budgeting as well as implementation needs enhance focus in all steps in the project cycle. Stronger involvement of women and vulnerable groups in decision-making and all phases of the project implementation is also an area where future efforts will be required and where LoCAL will play an important role.

Location of LoCAL in the overall funding system

The LoCAL initiative will “plug into” the existing funding system by adding additional funding (top-up grants) for climate proofing of existing or new investments, and support other related initiatives on climate change, in accordance with a clear “investment menu/demarcation or eligible investments”. This will provide districts with needed funds for addressing the increasing challenges observed with climate related impacts. LoCAL will support and address identified gaps in the area of capacity and performance, (see the implementation strategy for further details), and provide the incentives for the districts to utilise the additional funds and the capacity provided efficiently and effectively.

3.4 The Role and Capacity of Provinces and Districts in Climate Change Adaptation

The central government is currently developing the role and supports the strengthening of the capacity of the provincial and district governments through the hand-over of decision-making and financial management and procurement responsibilities. Despite challenges, the existing planning processes at provincial and district levels provide an effective basis for formulating strategies and action plans based on community needs and priorities. LoCAL would build upon this system by introducing more systematic analysis of climate change vulnerabilities and potential adaptation measures at each level, resulting in a Provincial and district climate change adaptation strategies, which would be used to identify the highest priority investments for adaptation.

The provincial and district level governments are responsible for the identification, planning and implementation of climate change adaptation actions according to the priorities laid out in the National Climate Change Adaptation and Mitigation Strategy and the NAPA. For this reason, at the district level government, and to a lesser extent at the provincial level, technical staff skills and capacities need to be supported to conduct vulnerability assessments, identify climate change adaptation needs at the community level and then integrate the resulting information into the district planning and budgeting process. None of the 128 districts in Mozambique has a clear strategy to address climate change issues and none of the district investments, such as in infrastructures, are currently climate proofed. Although some of the district 5-year plans (PEDD's) do mention climate change, they do so in a very generic manner without identifying specific adaptation activities. LoCAL would work closely with staff of the NPDPF to provide technical training and assistance to ensure that climate change adaptation is fully integrated in all aspects and all stages of the PFM cycle both at district and provincial level, see Annex 7 on Capacity Building Needs.

The Ministry for the Coordination of Environmental Affairs (MICOA) is the body responsible for the coordinating all environmental and climate change adaptation and mitigation actions in Mozambique. MICOA has provincial directorates in each province. At the district level there is no government service specifically focusing on environmental or climate change issues; these affairs are integrated within the District Service for Planning and Infrastructures (SDPI) which also handles disaster risk/relief activities as well as being responsible for all public works (roads, bridges, water supply, sanitation, electrification, communications, buildings etc).

While existing capacity, for example to conduct environmental impact assessments, may exist at the provincial level, it does not exist at the district level. This will be one of the challenges facing LoCAL and areas to be addressed during the capacity development support: strengthening of the district governments (DG's) to integrate climate change into district planning and budgeting processes.

At the provincial level there is no official strategic plan for climate change adaptation and mitigation. Any actions conducted at this level are based on the National Strategy. While the National Strategy serves a general guideline for climate change actions throughout the country, it is not tailored to the specific needs and priorities of the provinces, which vary considerably between the numerous agro-ecological zones in Mozambique. A provincial strategy is therefore seen by LoCAL as important for the development of district level strategic plans. LoCAL will work closely with UNDP adviser in the Provincial Directorate of Planning and Finances (DPPF) in Xai Xai, who works with the (UNDP) Disaster Risk Reduction and Climate Change Adaptation Project Gaza Province where LoCAL will begin work in 2015 to build the necessary capacity within the planning units at the Provincial Directorate for Planning and Finance and the Provincial Directorate for Coordination of Environmental Affairs (DPCA) for the elaboration of a provincial climate

change strategy. This would begin in last quarter of 2014/beginning of 2015, synchronized with the elaboration of the five-year Provincial Strategic Plan (PEP) which will also be up-dated in 2015, but there will be need for a quick round of support to the districts enrolled in the LoCAL to identify -relevant cc projects for the first year while the process of the development of the climate change strategies is underway.

In the absence of provincial and district climate change adaptation strategies there are currently few or no prioritised actions integrated and budgeted within the district or provincial plans. The elaboration of provincial and district strategies would therefore be an important first step for LoCAL to ensure the mainstreaming of cc elements in the plans and budgets. In this task LoCAL would work collaboratively with the UNDP funded project “Strengthening National Capacities and Frameworks for Disaster Risk Reduction and Climate Change Adaptation” whose purpose is the mainstreaming of DRR and climate change adaptation (CCA) into sectorial plans and strategies and which is making steady advances in these areas.

Additionally, It would also be necessary to provide training and support to provincial government and, especially, districts in order to build their capacity to technically supervise and monitor climate change activities, especially those conducted with LoCAL funding. In this instance, beyond providing this capacity to the ETD, training would also be given to staff of the district service responsible for agricultural (SDAE) and infrastructures (SDPI). LoCAL will also - in cooperation with the national program on decentralisation of planning and budgeting - support the PFM and governance aspects of the districts operations, including participatory planning, accountability and M&E related issues. The annual performance assessments will be instrumental in identifying capacity building gaps in each district, and will enable a tailoring of the support to the specific needs of each district.

3.5 Other Relevant Climate Change Adaptation Initiatives and Linkages

There are a number of climate change adaptation support programmes either on-going or under preparation in Mozambique (see Annex 1). These are implemented either through central government, the UN agencies or through NGOs, and the involvement of Provinces and Districts is limited to liaison or minor coordination roles. Table 2 below provides a short description of the most important ones of particular importance for LoCAL. Throughout implementation LoCAL will ensure a strong coordination and collaboration with those initiatives. Table 2 below summarises the main interventions in the geographical areas in which LoCAL will start.

Table 2: Projects and programmes with which LoCAL can create linkages

Project	Implementer/funder	Geographic focus	Project purpose	Possible synergies with LoCAL
Environmental Sector Programme Support II (ESPS II) 2011-2015	MICOA. Funded by DANIDA & EU	National including Gaza	Mainstream CC and climate proofing into poverty alleviation and development strategies	Integrating CC into district planning and PFM. Climate proofing activities at the district level. District CC adaptation plans
Food Security and Nutrition Programme (FSNP) 2014-2018	UNCDF, FAO, WFP two Belgium NGO's. Funded by the Belgium Fund for food Security. Coordinated by SETSAN	Gaza, same districts as LoCAL	Increased food security. UNCDF component focuses on improved PFM at district and provincial level and integrating food and nutritional security within PFM	Project includes district capital development grant (LDF). Building district PFM capacity. Integrating CC and Food and nutritional

				security in district PFM
Programme for Local Economic Development (ProDEL) 2013-2017	Government. Funded by the EU	Gaza, Inhambane and Sofala	Socioeconomic change through better planning/financial management. Improvement in the working and living conditions of the rural population by promoting their involvement in competitive value chains.	Improving district PFM capacity. Improved planning at district level. Climate proofed rural infrastructures
Pro-poor value chain development in the Maputo and Limpopo corridors (PROSUL) 2013-2017	Government (CEPAGRI). Funded by IFAD through the Belgium Government	Gaza, Maputo & Inhambane	Improve livelihoods of small farmers through increased returns in three target value chains, by promoting increased volume and quality of production, improved market linkages, efficient farmers' organizations and higher farmers' share over the final added value.	Climate change adaptation and resilience of agricultural and livestock systems. Mobilising funds for increased climate resilience and food security.
Resilience in the Limpopo Basin Programme (RESILIM) 2013-2017	Chemonics International in support of the integrated water resources management objectives of the Limpopo Watercourse Commission (LIMCOM). Funded by USAID	Limpopo river Basin, including Gaza	Reduce climate vulnerability by promoting adoption of science-based adaptation strategies for integrated, trans-boundary water resource management. Conserve biodiversity and sustainably manage high-priority ecosystems. Develop stakeholder capacities to manage water and ecosystem resources	Increasing climate resilience. Improved and more efficient water management techniques. Biodiversity and ecosystem protection
Institutionalising Disaster Prevention in Mozambique (PRO GRC II). On-going support since 2002	INGC. Funded by German Technical Assistance (GIZ)	National	The main objective of the current project phase is to include the need for climate change adaptation into the Plano Director – the strategic ten-year plan of INGC.	Strengthen local disaster risk committees and district government to assist their respective communities build climate resilience
Strengthening National Capacities and Frameworks for Disaster Risk Reduction and Climate Change Adaptation. 2012-2015	INGC & MICOA. Funded by UNDP	National but focusing on Gaza, Nampula and Cabo Delgado	Mainstreaming of DRR and climate change adaptation (CCA) into sector plans and strategies.	Integrating climate resilience into district plans.
Strategic Programme for Climate Resilience (SPCR)	Government with funding from WB, IFC and ADB	Drought-prone Limpopo watershed (Gaza Province); the flood-prone Zambezi watersheds; and the coastal city of Beira	In the Limpopo River Basin the main investment areas are: climate resilient agriculture, community based natural resource management and the provision of credit lines for private investment in micro-irrigation.	Building climate resilience. Improved community level planning and implementation of climate resilience activities
Sustainable Management of Natural Resources for	MICOA,MPD,MoF. Financed by UNDP	National	Support government institutions, civil society and the general population to reduce	Building climate resilience at district and provincial level.

Resilient and Equitable Growth and Development (SUNRED) 2014-2017			disaster risk within the country and to adapt to the negative effects of climate change	Increased local participation in planning and decision making
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Linkage with other BFFS funded interventions in Food Security and SETSAN and Synergies between Related initiatives.

The overall development objectives of LoCAL and the BFFS funded Food Security and Nutrition Project (FSNP) are directly linked and a close cooperation and in some areas integration will be ensured. Both have the overall goal of strengthening government at the local level to improved food security and reduce vulnerability.

The Ministry of Planning and Development, in close collaboration with SETSAN and MICOA, with UNCDF technical and financial support, will strive to promote and finance an integrated approach to decentralized planning and budgeting at the provincial and district levels. The strategic programmatic approach will be to articulate the programmatic funding streams into one local development strategy. In this framework, the financing mechanisms will be complementary: the FSNP funds will be channelled through a programme driven architecture, while LoCAL funding stream will be through the national public financial management system. Both financing mechanisms are addressed to gradually reinforce the variables associated to the public expenditure management cycle and to further reinforce government efforts in mobilizing, allocating, investing and accounting for decentralized public resources in Gaza province.

In this context, the Performance Based Grant System will support and further incentivize local authorities' performance in the food security and climate change equation. To start with, the Minimum Conditions addressed to minimize and manage operational risks at the local level will be exactly the same for LoCAL and for the FSNP as these concerns the capacity to handle discretionary funds. It is expected that most of the Measures of Performance –approximately reaching the 70%- linked to the PBGS will be the same for the FSNP and LoCAL. These measures strive to incentivize local authorities' performance in the PFM and area of Local Governance . In addition to this, specific Measures of Performance will be prepared to further incentivize the use of public and programme resources in these particular local development dimensions. As indicated, UNCDF's both financing modalities entails the use of the established PFM systems and processes, as well as governance structures, to secure the efficient and accountable disbursement and utilisation of funds. This development strategy aims to maximize the use of technical and financial resources in the country, and further reduce the associated development challenges –and programmatic costs- in the province. Both programs have a component, which makes a community investment fund available at the district level for food security and climate change adaptation activities designed to increase the resilience of the food producing systems on which the communities depend for their livelihoods. The two funds will work in a complementary way to finance new or to top-up projects funded by the existing investment funds.

There is a high degree of complementarity in the outcomes of two projects in that the achievement of the outcomes of the FSNP, which are improved PFM and the mainstreaming of food and nutritional security will contribute to the realization of the LoCAL outcome which is increased district resilience to climate change.

The LoCAL programme strategy will take into account the government decentralization policy and strategy that identifies the district as the foundation for the promotion of local development. It stresses the importance of the local consultative councils within the local governance system as the forums in which communities can raise their voices to express their needs and concerns about local realities, which include climate change and food insecurity challenges. For this reason, the consultative councils will be crucial to the district administrations in the design of the district development plans. A methodology with which to mainstream climate change adaptation measures in the district development plans has already been developed by the UNJP and tested with the provincial authorities in Chicualacuala district. It could eventually be used and reinforced throughout the implementation of the LoCAL initiative.

Moreover, provincial and district authorities interventions through LoCAL will reinforce and complement the IFAD country strategy by supporting improved climate-resilient livelihoods of small farmers in the Limpopo corridor (PROSUL programme). The PROSUL goal is to establish improved and climate-resilient livelihoods of small farmers in selected districts of the Maputo and Limpopo corridors, including the 4 districts in which LoCAL will work in the 1st phase. The specific objective of PROSUL is to achieve sustainable increased returns to smallholder farmers from increased production volumes and quality in the targeted value chains, improved market linkages, efficient farmer organisation and higher farmers' share over the final added value. In this context, LoCAL will create linkages and synergies with the PROSUL project and the FSNP to strengthen climate resilient, improve food and nutritional security and increase incomes for rural families.

In order to increase community access to water related services and infrastructures, and with the aim to support the identified development objectives of the Belgian Technical Cooperation in Gaza, provincial authorities through LoCAL programmatic interventions will reinforce the fiscal capacity of local administrations to: (i) increase sustainable water supply and sanitation coverage; (ii) provide additional funding for complementary water facilities; and (iii) enhance decentralized planning and management of water supply and sanitation.

Please refer to **Annex 1** for further information on relevant initiatives on local CCA.

4 The Value of LoCAL in the Mozambique and Implementation Strategy – Project Rationale and Timing

Rationale

Whereas most of the current support is targeting large-scale interventions, projects at the central level, and often with a project-based approach, LoCAL is addressing the CC challenges at the local level working through the existing government/governance systems. In Mozambique, LoCAL will furthermore be closely linked and aligned with the interventions under the BFFS/FNSP and would complement and improve the effectiveness of the existing BFFS/FNSP interventions.

Two of the key problems facing the fiscal transfers to the provinces and districts have been the insufficient funding level compared with the mandatory functions and how to direct their use to meaningful activities. This is particularly true when it comes to the environment. Reports suggest that Mozambique could suffer a loss of between 4% and 14% in GDP by 2050 due to the effects of climate change, yet environmental protection and climate proofing accounts for less than 2% of public expenditure. Paving roads, repairing culverts, maintaining bridges, changing cropping patterns and climate proofing existing infrastructure are cited as potential remedies that would mitigate against these effects, particularly for an economy that

remains largely dependent on small scale agriculture for employment and livelihoods. The challenge is how to demonstrate in practical terms ways in which local authorities can channel resources to building their resilience, thereby leveraging additional funding for this purpose by encouraging government and other funders to use the districts as a platform for local climate resilience activities.

The performance-based grant methodology of LoCAL will top-up the existing investment transfers made to the districts. Rather than provide just another grant system with its own set of rules, the LoCAL grants will be aligned with the existing capital/infrastructure targeting transfers, providing an incentive to the districts to increase their resilience by providing top-up financing to those capital grants while at the same time strengthening the local authorities' participatory planning and financial management of their capital investment funds while ensuring that these funds are targeted towards areas/activities which will increase the local level resilience. With a relatively small amount of funds, LoCAL will have a strong leverage on the entire operations of the local authorities in the target areas.

The criteria for determining the top-up will include the degree to which the districts have co-financed or contributed to the investments from other agencies including BFFS supported interventions, and the extent to which they have mainstreamed climate change into all processes of PFM (planning, budgeting, accounting, procurement, reporting and follow-up) and improved governance and cross-cutting issues such as involvement of women in the planning process.

LoCAL supports analysis of each district's vulnerability to climate change. This provides the basis for then identifying the appropriate measures that could be carried out by the districts given their mandates and capacities, and with support from the provincial level. LoCAL is not project-based but provides a broad menu of **possible investments (see Annex 6)**, which will be identified locally and included in the LG planning and budgeting process. LoCAL will focus on challenges that need to be addressed given the ecosystem of each of the districts enrolled. The average size of the annual top-up grant is calculated to be sufficiently large to act as an incentive for real action but sufficiently small to be fiscally sustainable, based on a review of the current investment levels, capacity of districts and needs for additional funding. LoCAL thus works with the existing district planning and budgeting system.

An annual assessment/ audit will provide information about the performance of the recipient and incentivize districts to improve PFM and governance systems and procedures as well as to spend the additional funding from LoCAL efficiently through the integrated investment programme for climate resilience. Districts will receive a further top-up grant the following fiscal year if they perform above the average. The LoCAL secretariat will provide the quality assurance for the assessment system and ensure the trust and credibility of the system. The performance-based allocation system will ensure that districts have strong incentives to improve PFM and governance performance, that capacity development gaps are identified and that the support can be targeted towards needed areas. It will also reduce the fiduciary risks and other risks, as allocations will be based on transparent and qualified assessment of the districts' capacity to handle funds. The launching and operations of the PBCRG will utilise the experiences from UNCDF's support to performance-based grant systems in multiple countries, and the more recent (and expanding) experiences from linkages between general block grant systems and funding channels for climate resilience activities.

Once the effectiveness of the method is proven, the government and finance providers can use the LoCAL system to finance practical climate resilience at the local level and be up-scaled country-wide through a phased approach learning from the past phases of the roll-out.

Institutionally the LoCAL will promote collaboration between core ministries involved with local planning, CC and PFM including: the Ministry of Planning and Development (MPD), and the Ministry of Environment

(MICOA), and will have strong links with the MoF (funding flows and accountability) and the MAE (especially on the performance measures and M&E systems). This is because whilst the technical element for LoCAL assessments is embedded within MICOA the grants are disbursed under the MPD budget and activities closely linked with the local level planning process.

As with the UNCDF component on Food Security and Nutrition (FSNSP) funded by BFFS, the proposed LoCAL strategy and interventions will be fully aligned with government policies and development strategies, particularly the Poverty Reduction Action Plan (PARP) and the Strategic Plan for Agricultural Development (PEDSA). LoCAL development interventions will additionally support the National Adaptation Programme of Action (NAPA) prepared by MICOA, which aims to reinforce farmer's capacities and resilience to climate change. In order to increase the harmonization of climate adaptation interventions, LoCAL will promote inter-governmental coordination both at central and local level to contribute to institutional development and further secure programmatic sustainability.

At the national level, there is political will by the MPD and MAE to promote an integrated decentralized planning and financial management process. The National Programme of Decentralized Planning and Finance was launched in 2010 to operationalize the efforts of central and local governments in reinforcing the articulation of multiple sector plans and budgets, as well as to strengthen the associated monitoring and evaluation processes. However, the challenges related to this activity still persist at the present time and there remain several climate adaptation and food security interventions implemented outside the provincial and district development plans. These circumstances significantly reduce local authorities' efforts and possibilities to coordinate and enhance livelihood conditions for households within their jurisdiction.

For this reason, at the provincial level LoCAL will aim to strengthen the inter-governmental coordination among the provincial directorate for environment, the provincial directorate of planning and finances and the technical secretariat in food security (SETSAN) to efficiently mobilize, manage and account for climate adaptation and food security public resources. SETSAN and the provincial directorate of environment need to complement their efforts to mainstream climate change and food security into established decentralized planning and financial management systems and processes, in close collaboration with the provincial directorate of planning and finances. Similarly a strong coordination will be pursued at the district level through the support to the technical teams.

The PBCRG under LoCAL is based upon existing intergovernmental fiscal transfer systems and includes an innovative performance-based grant allocation. For this reason LoCAL is particularly suited to Mozambique where UNCDF first introduced the intergovernmental fiscal transfer system designed to strengthen local public financial management in the Nampula PPF project in the 1990s. Many features of this initiative have now been mainstreamed in the capital grants transferred to districts from central government – the investment/infrastructure grant components of the overall grant system.

The districts governments have the mandate and the responsibility for providing a range of climate change relevant investments such as drainage, irrigation, road networks and the maintenance of paths, bridges and other public utilities and for monitoring building standards. District governments are already identifying projects that address climate change and already taking the rapidly changing environment into account. The system exists for them to perform this role yet they are without a dedicated funding stream for adaptation. LoCAL provides this through a flexible but targeted pool of funding, see **Annex 6** for an overview of some of the possible investments, which can be made from the LoCAL grants (grant guidelines with investment menu).

LoCAL will assist the Provinces and the Districts to undertake the roles assigned to them by the National Climate Change Strategy, through developing adaptation strategies, and funding infrastructure and services using the Performance-Based Climate Resilience Grant (PBCRG) to districts with backstopping and

coordination functions at the provincial level. With improved capacity and the flow of the CCA financing through a topping up of the existing fiscal transfer system for districts, Provinces and Districts will be well placed to act as coordinating agencies for an integrated climate change response as well as to provide the continuity and maintenance capacity that is often lacking from time-bound projects.

Operating within the local government planning and budgeting system, LoCAL will help local governments align their planning to the National Climate Change Policy and National Adaptation Plan of Action through mainstreaming CCA in to their strategies and annual plan.

By linking the size of the annual grants to the outcome of an independent performance assessment this provides **incentives** for the districts to enhance their performance, focusing on PFM, good governance and accountability. Delivering the climate resilience grant through general transfer system by **use of e-SISTAFE** will prove that the system can be used in the specific area such as climate change adaptation, with the hope to encourage other sector-specific or thematic grants to districts to improve service delivery through this existing fiscal transfer system. At the same time LoCAL will support the sustainability of the current and past investments and continue to improve their quality.

At the global level, as the participating country in the LoCAL Global project, Mozambique will be a member of the LoCAL Global Project board together with other participating countries, which will have regular international level meetings with donors and other stakeholders on climate change at the global level. Being a part of the international network on local government climate change resilience will improve the bargaining power of provinces and districts in Mozambique in negotiating and accessing global climate change funds. As a global project, LoCAL will present reports and lessons learned from participating countries to climate change forums and donors, the value added for the Mozambique being the accessibility to such forums, and taking a leading role on communicating climate change adaptation issues, challenges and needs for solutions in region at the global level.

In addition to the special focus on the climate change resilience grant, the new scheme with support to capacity development, TA and policy advocacy functions will also provide valuable lessons learned for improvements of the general intergovernmental fiscal system in the country e.g. in areas such as grant allocation formulas, performance-elements, and linkages between investments, incentives and capacity development as well as modalities to strengthen the PFM cycle at the local level(s).

LoCAL will be highly complementary to existing initiatives which will assist in providing the capacity for climate change adaptation planning at community, district and province levels, while the LoCAL funds will give the provinces and districts the ability to become a full partner in an integrated approach to climate change adaptation and mitigation. One of its key contributions will be to enhance the development effectiveness of BFFS initiatives by promoting the mainstreaming and sustainability of food security, and climate resilient investments at the local level and thereby improving the resilience of local communities to climate change. Additionally, provincial authorities through LoCAL will complement their other interventions with the Belgian Technical Cooperation

Timing

LoCAL will start its implementation phase in October 2014, and it will last until December 2018 with 3 rounds of PBCRG allocations – 2016, 2017 and 2018 and support to the planning and budgeting process during especially 2015. The programme will initially be piloted in the four (4) most vulnerable districts

covered by BFFS/FNSP, starting in Gaza Province and then from the third year of LoCAL disbursement (i.e. 2018) planning and preparations of interventions for up-scaling will start, with expected coverage of an additional 8 districts (of which four will be in one additional province- Inhambane) to cover a total of 2 provinces and 12 districts from 2019. Provided that additional funding is mobilised, this will be implemented in the second phase of LoCAL starting from 2019-21, with expected gradual up-scaling to the entire country (third phase) over 5-10 years from 2022.

Throughout implementation the LoCAL and Food Security and Nutrition interventions supported by UNCDF would seek to be as fully linked and harmonized.

5 Vulnerability Assessment and Selection of Pilot Areas

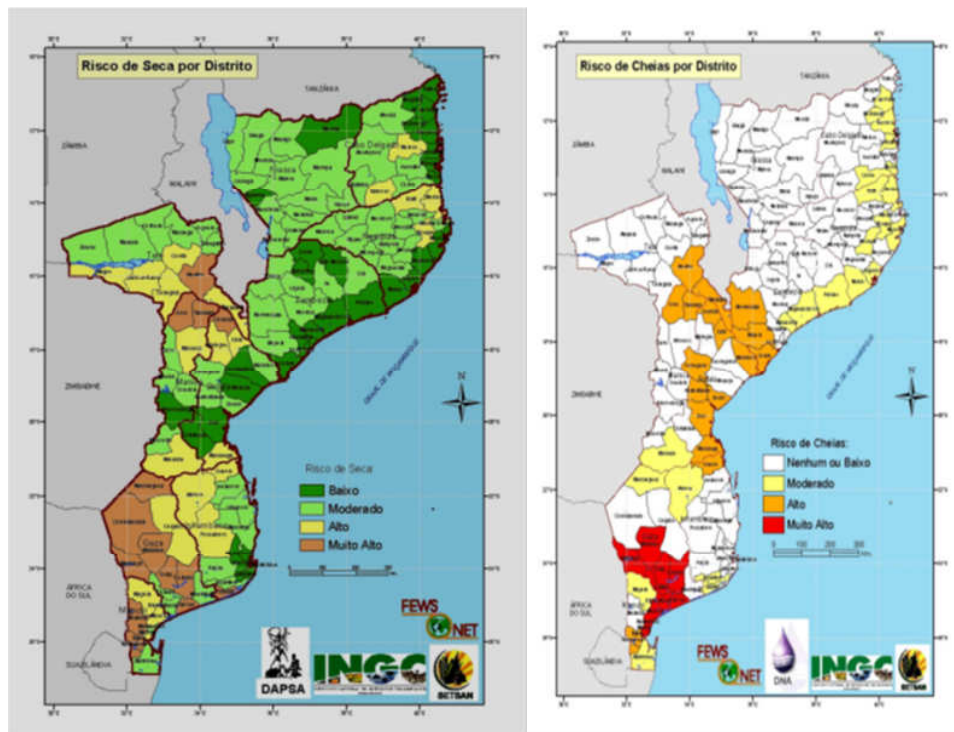
The principal criterion used to select the provinces and district for piloting LoCAL is vulnerability to climate change (CC), notably droughts and floods, see Annex 2. Other important considerations, closely linked to CC, are food and nutritional (in)security, poverty and a range of factors relating to the sustainability of natural resource use and general measures of ecosystem health. In addition to climatic considerations, an important factor in the selection of areas for piloting LoCAL is the potential linkages and synergies that could be achieved with existing initiatives being undertaken by other development partners.

In the rural areas, particularly in the south of the country, Mozambique continues to experience food insecurity, regularly aggravated by extreme climatic events. Specifically, and according to SETSAN reports, Gaza province socio-economic indicators highlight extreme pools of poverty and HIV/AIDS, where climate conditions – i.e. long dry periods and infrequent but intense rainfall have contributed to increase the vulnerabilities of communities and households to food insecurity and malnutrition. This in turn has increased provincial and district government challenges to reinforce community resilience to climate change and food insecurity.

The INGC maps reproduced below show that the interior northern districts of Gaza province are highly vulnerable to droughts and floods, while the interior districts of neighbouring Inhambane Province suffer regular and prolonged droughts.

Map 1: Risk of drought/district

Map 2: Risk of flood/district



Based on this preliminary information, further investigation of climate change vulnerability focused specifically on Gaza and Inhambane provinces. It will be noted from table 3 that 9 out of the 10 natural disasters that occurred in Mozambique between 1981 and 2008 were caused by droughts or floods. Gaza and Inhambane, were affected by all 9. Table 4 shows that, of the three major types of natural disaster that assail Mozambique, drought affects more persons than floods or cyclones.

Table 3 Top ten natural disasters in order of the number of persons affected, 1981-2008

Type of disaster	Year(s)	Areas affected	Nº of persons affected
Drought	1981-86	Gaza, Maputo, Inhambane, Manica, Sofala, Zambexia	5,750,000
Flood	2000	Maputo, Gaza, Inhambane, Sofala, Manica, Tete	4,500,000
Drought	1991/92	South and Centre	3,300,000
Drought	1998/99	Maputo, Gaza, Inhambane	3,300,000
T. cyclone	1994	Nampula, Zambezia, Manica, Sofala	2,000,000
Drought	1994/95	South and Centre	1,500,000
Drought	2005/06	Maputo, Gaza, Inhambane, Sofala, Manica, Tete, Zambézia	1,400,000
Drought	2002/03	South and Centre	600,000
Flood	2001	Zambezia, Tete, Sofala, Manica and Gaza	549,326
Drought	2007	South and Centre	520,000

Source: INGC 2009, Study of the Impact of Climate Change on Disaster Risk in Mozambique

Table 4: Summary of the impacts of natural disasters between 1956 and 2008

Type of disaster	Nº of occurrences	Nº persons killed	Nº persons affected
Drought	10	100,200	16,444,000
Flood	20	1,921	9,039,251
Tropical cyclone	13	13,697	2,997,300
Epidemic	18	2,446	314,056
Windstorm	5	20	5,100
Earthquake	1	4	1,440

Source: INGC 2009, Study of the Impact of Climate Change on Disaster Risk in Mozambique

The interior districts of Gaza and Inhambane provinces are some of the most drought prone areas in Mozambique. A compilation of data on these districts (shown in **Annex 2**) assesses them in terms of climate change vulnerability, poverty and food security indicators and potential linkages to other development initiatives. The data supports the argument that the province most in need of LoCAL support is indeed Gaza, closely followed by Inhambane.

To further investigate climate change impact in Gaza a rapid vulnerability assessment was conducted in the interior districts as part of the LoCAL scoping study. It shows that the area is very sensitive to climate change, partly due to a high degree of exposure. Adaptive capacity of the local authorities and communities is low because of limited funds and existing technical skills and know-how urgently need to be reinforced. Vulnerability is high and eco-systems are under increasing strain as rural communities are forced to use the natural resource base in an unsustainable manner in order to survive. The vulnerability report is in **Annex 3**.

On the basis of information compiled from the numerous sources and on the potential synergies that could be created with existing programmes, LoCAL will initially work in 4 of the interior districts of Gaza Province (**Mabalane, Guija and Massinger and Chicualacuala**) where the BFFS funded Food Security and Nutritional Programme (FNSP) is being implemented. These districts are also receiving support from the World Bank funded National Decentralised Planning and Finance Project (NDPFP), the DANIDA/EU funded Environmental Sector Programme Support Project (EPSP II) and other development partners (see section 3.5 and annex 1). Planning for the expansion of LoCAL will begin in 2018 and the preparatory work will be funded through the first phase of LoCAL. In addition to the 4 districts chosen for the first phase, the second phase of LoCAL will expand to the vulnerable districts of Chigubo, Massangena, Chókwè and Chibuto in Gaza province and to the districts of Jangamo, Panda, Funhalouro and Mabote in Inhambane province making a total of 12 districts, roughly 10% of the total districts in the country.

6 LoCAL Outcome and Outputs in the Mozambique

The LoCAL initiative in Mozambique will be closely linked with the LoCAL Global Project and contribute to the overarching LoCAL outcome and outputs. As mentioned in the rationale behind LoCAL, the program will also link up closely and provide strong synergies with the FSNP launched recently in Gaza Province. It will initially cover 4 districts, also covered by this initiative, and it will share the longer-term impact in the results and source framework. The LoCAL outputs in the Mozambique are contextualized to meet the specific challenges of the country and the synergies and linkages with other projects. The outcome and outputs of LoCAL are presented below. Please refer to **Section 12** for the full (and more detailed) overview of the Results Framework and overall budget.

The expected **longer-term impact of LoCAL** is to improve food security and nutrition and reduce the vulnerability of people in the target districts (similarly to the FSNP as both programs contribute to the same and are closely linked).

The outcome of the LoCAL initiative is the following:

Outcome: The resilience of districts to climate change has improved as a result of an increase in access to climate change adaptation financing through performance-based based climate resilience grants.

Five specific outputs will contribute to the achievement of this overall outcome:

Output 1: Effective Performance-based Climate Resilient Grant system (finance mechanism) is established in Mozambique and operational for additional funding.

LoCAL will support the establishment and implementation of a system of Performance-Based Climate Resilience Grants (PBCRG) to participating districts in the target areas that are able to meet the minimum access conditions and are especially vulnerable to the impact from climate change. As part of this system, LoCAL will support the operations of an objective, transparent, formula-based performance-based grant allocation system, using the “start of art” in the design and operation of such systems, and making use of the GoM’s e-SISTAFE system, planning and budgeting systems, procurement and implementation, as well as reporting and accountability systems.

The average size of the grants is 125,000 USD per district ranging from around 90,000 – 168,000 USD depending on the size of the district (population and land size) as well as the performance, **see annexes 6 and 11** which will add to the current resources from the investment grants as well as from the FSNP in areas covered by this program.

LoCAL will be supported by a clear set of PBCRG grant guidelines, closely linked with the GoM budgeting and accounting system, (**see Annex 6**) and the funding will be plugged into the Government budgeting system/and be on budget /”on-CUT” and will be regulated by a joint MoU between UNCDF and the GoM (**see Annex 9**). The Grant Operational Manual (**Annex 6**) on the operations of the PBCRG, define issues on flow of funds, handling of bank accounts, roles and responsibilities of parties, investment menu, co-funding between various funding sources and reporting. A clear set of Minimum Conditions and Performance Measures will be applied for grant access to ensure that districts have sufficient capacity to handle funds, that fiduciary risks are reduced to an acceptable level, and that local bodies have strong incentives to promote performance and comply with the GoM /LoCAL systems and procedures. The MCs and many of the performance measures will be similar to the MCs and PMs in the FSNP, but the performance measures will have additional climate change relevant indicators of performance. The specific performance measures will relate to achievement of benchmarks in CCA planning, governance performance, allocation of funds in accordance with CCA-specific strategies and criteria, use of the investment servicing costs, etc. **Annex 4** outlines the Minimum Conditions and Performance Measures that will apply to PBCRG, and the process of assessment. Assessments will be carried out by neutral teams of trained assessors, closely linked with the existing performance reporting/measurement system. Annual performance assessments (APAs) will be conducted to ensure that districts always comply with the MCs for grant access, and to inform the allocation for the subsequent year. The assessments will be conducted in due time for the results to fit into

the local planning and budgeting process, see **Annex 5**, and will typically be conducted in April every year of the past performance, with impact on the next year's budget allocation¹⁸.

LoCAL will cover the costs of the APAs resulting from the additional conditions for grant allocations and from the need for PFM/Governance/CCA expertise in the performance assessment teams. The performance measures under LoCAL will be weighted and integrated in the general objective criteria for horizontal allocation across the districts enrolled. Through the coding system for LoCAL in SISTAFE, LoCAL expenditures will be tracked, combined with the information from the APAs and the regularly field monitoring missions.

The basis reporting of fiscal and physical progress outputs will be applied with information and guidance on how LoCAL relevant revenues and expenditures can be consolidated and compiled. Additional monitoring and quality assurance will be supported by the LoCAL, situated at the provincial and central government levels.

Provincial Government involved in LoCAL operations, in the first phase Gaza PG, will be supported to strengthen their role on backstopping districts in areas such as vulnerability assessments, planning, accountability, guidance on investment menu and compliance and reporting, see below.

Core activities under Output 1 will be:

- Establishment of revenue codes and expenditure tracking system for LoCAL expenditures;
- Finalise the horizontal allocation formula and grant allocation simulations on the PBCRG;
- Current up-date of all grant guidelines;
- Up-date of the performance assessment manual;
- Training of performance assessment team and organisation of their work;
- Initiatives to attract additional funding for LOCAL
- Up-date assessment manual based on lessons learned;
- Allocations of PBCR grants for 3 rounds/fiscal years: 2016, 2017 and 2018.
- Annual performance assessments

Output 2: Inclusive, effective and accountable CC planning and budgeting processes at the district level.

In line with the National Climate Change Strategy districts will development CC adaptation plans and climate change initiatives will be mainstreamed with planning and budgeting processes. These strategies will be based on a combination of Vulnerability and Adaptation Assessments (VAA) carried out using participatory methods at community level, and expert inputs reflecting science-based predicted climate change trends. The Climate Change Adaptation plans and strategies will identify the key threats arising from climate change, vulnerable locations, vulnerable communities and groups within the community, and key actions to build climate resilient communities. The CC Strategy will specifically identify the role of the District Government and activities that can be funded through the districts' Budgets (including both capital investments and recurrent expenditures), as part of the broader integrated response to climate change. The developed Climate Change Adaptation Strategy will identify specific criteria to be used in selecting PBCRG funded activities. This work will be promoted through CB/TA support, through involvement of

¹⁸ Note that the first year will be different, due to up-start of LoCAL, and only the MCs will be applied (PMs only to establish a baseline). This first "screening" of the compliance with the MCs is planned to be undertaken by the beginning of 2015 with impact on the FY 2016 allocations.

support by the PGs, and through the incentives in the annual performance assessments. LoCAL will support this process in close collaboration with the FNSP and the UNDP supported DRR and CC program, and with the Danida Environmental Support Program.

The districts Climate Change Adaptation Plans/Strategy will be linked with the Provincial Adaptation Plan/strategy, which will also be supported by LoCAL.

Prior to the first allocation of funds to the districts, LoCAL in close cooperation with the capacity at the PG level, especially in the Provincial Directorate for Planning and Finance, will support the districts to perform a quick vulnerability assessment, and identification of activities to be supported by LoCAL in FY 2016 and this process will be an integrated part of the general planning and budgeting process, starting from February, see **Annex 5 on Planning**.

Activities under Output 2 will – amongst others – be:

- In collaboration with UNDP and FNSP provide capacity building support to district for mainstreaming of CCA in planning, budgeting and implementation/reporting procedures;
- Support districts to conduct quick vulnerability assessments and development adaptation plans;
- Provide TA/CB support to provinces to enable them effectively to support, backstop and monitor the districts and their CC operations.

Output 3: CCA activities are managed efficiently, effectively and transparently implemented by participating districts through the PBCRG system.

Four districts in Gaza (phase one) will receive, execute and account for three annual allocations of Performance-Based Climate Resilience Grants (2016, 2017 and 2018). These grants will support activities that contribute directly to building climate resilience and develop climate change adaptation capacity at both community and district level. At least 90% of the PBCRG must be used for services and investments for climate resilience providing direct benefits to vulnerable communities, in accordance with the Investment Menu (see **Annex 6**). Up to 10% of the PBCRG may be applied to support to additional costs of awareness raising, planning, technical advice and support, monitoring and evaluation for climate change adaptation, collectively termed Technical Services/Investment Servicing Costs. Second, the provincial government will be supported to provide guidance, backstopping support and monitoring and reporting assistance to the districts and for compilation of information for the central level.

Implementation of PBCRG-funded projects will follow the standard procurement and implementation procedures applying to the investment funds and the general budget of the districts. Projects need to adhere to the LoCAL investment menu, **see Annex 6**. Three categories of expenditure are recognised in the Investment Menu: Sector Services, Infrastructure for CCA and Climate Proofing (of general infrastructure). It is emphasised that conformity with the investment menu is a necessary but not a sufficient condition for use of the PBCRG: eligible activities must be clearly linked to climate change related challenges through compliance with the criteria in districts Climate Change Adaptation Strategy and Plans. It is expected that each district will implement 2-6 projects from LoCAL funds every year, but it is up to the districts themselves within the defined investment menu to identify and ensure effective implementation.

Amongst the activities under Output 3 will be:

- Provide awareness raising on the eligible expenditures;

- Provide training to district staff on identification, prioritisation, planning, procurement and managing the CC resilient investments;
- Review plans of districts and provide feed-back;
- Establish a hot-line for advice to district on cc issues;
- Current monitoring and reporting on use of funds, review of investments and progress made (regular monitoring missions, + backstopping).

Output 4: M&E system and lessons learned to inform national policies about experiences from launch of LoCAL and integration of CC in all steps of PFM processes and improvements of PFM.

LoCAL, in close collaboration with the FNSP, will support the existing well-established M&E system with special focus on CC related activities, and generation of lessons learned for local bodies direct interventions in CC adaptation work. This will be done in close collaboration with other related initiatives such as the DRR and CC program, the SUNRED, and the Danida supported Environmental Support Program, see **Annex 1**. LoCAL will support the legislative framework, the guidelines and manuals and the entire system on local funding of CC interventions through a strategic output on support to compile lessons learned. This output will cover outputs from annual reviews, MTR and final review.

In order to strengthen learning and assist in building capacity for climate change adaptation, a participatory evaluation will be carried out for a sample of PBCRG projects each year. The participatory evaluation will be carried out by the beneficiary community and will reflect on the technical quality of the project output and on the benefits resulting from the project, as well as on the direct relevance of the project to climate change adaptation. The national and provincial team facilitating the process will make a separate technical assessment of each project. The results of the participatory evaluations and technical assessments will then be presented at a meeting of the Program Board of LoCAL for guidance and decision-making. Thus, during the first phase of LoCAL, climate change adaptation planning in the districts will be an iterative exercise with lessons learned from project implementation contributing to strengthening of those.

Amongst the activities under Output 4 will be:

- Establish an M&E framework on LOCAL and baseline for situation and performance of districts, instruments for assessment of progress, linked to other systems such as the MDP PESOD balance reporting system, the SMoDD and other systems of M&E;
- Conduct annual review, MTR and final review on LoCAL;
- Support analysis and documentation of lessons learned, and provide policy input/advice on legal documents, regulations, manuals and guidelines for districts on CC issues and PFM/Governance issues.

Output 5: Completed roll-out plans and capacity building support for new districts in the new province(s) established by end of Program

LoCAL is planned to be rolled out in basically 3 main phases: Phase 1 (2014-2018), the current phase for this PD, which is the initial pilot of the initiative in Mozambique covering 4 districts in Gaza, will also prepare the way for the gradual up-scaling in the second phase, and ensure that this is ready for 2019 and onwards. The second phase is expected to cover 3-5 more years 2019-21, and will prepare for the national up-scale to a country-wide program. Additional districts in Gaza and in one additional PG – Inhambane- have been identified, and these will receive substantial support in 2018 (support to vulnerability assessments, cc

adaptation planning and strategies, plan identification of use of LoCAL funds and PFM support to be ready to enrolment in 2019, where the program will cover a total of 2 PGs with a total of 12 districts.¹⁹

Amongst the activities under Output 5 will be:

- Studies of vulnerable areas;
- Identification and final selection of vulnerable districts/provinces to be included in the roll-out phase;
- Capacity building and preparation for roll out of LoCAL to new districts, vulnerability assessments, support to CC adaptation planning, budgeting etc.;
- Baseline surveys of situation and performance of districts in new areas to be covered.
- Final design of the second phase for up-scaling.

7 Institutional Arrangements

LoCAL in Mozambique will be closely linked with on-going initiatives on climate change supported by GoM and various development partners, and the current reforms within the areas of planning, budgeting and accountability under the National Program Decentralized Planning and Finance (NPDPF). The Program will also be directly supporting and closely linked with the new program in Gaza to support Food Security and Nutrition (FSNP), and several of the support functions such as program support, advisory and capacity-building activities will be shared to ensure strong synergies and effective operations.

In terms of the handling of grants to the implementing districts, LoCAL will apply GoM's systems and procedures for planning, budgeting, accounting and report, with support to strengthening of these where there may be gaps. For handling of grants to the district level a specific MoU between UNCDF and the GoM (see **Annex 9**), will regulate the flow of funds, responsibilities of each party and in the reporting flows.

The LoCAL grant operations, flow of funds, allocations, planning, budgeting and monitoring, etc. will be mainstreamed in existing guidelines and manuals. LoCAL funds will flow through the general government system and the treasury using the e-SISTAFE procedures, see Financial Management below and the use of funds will be rigorously monitored for effectiveness and compliance.

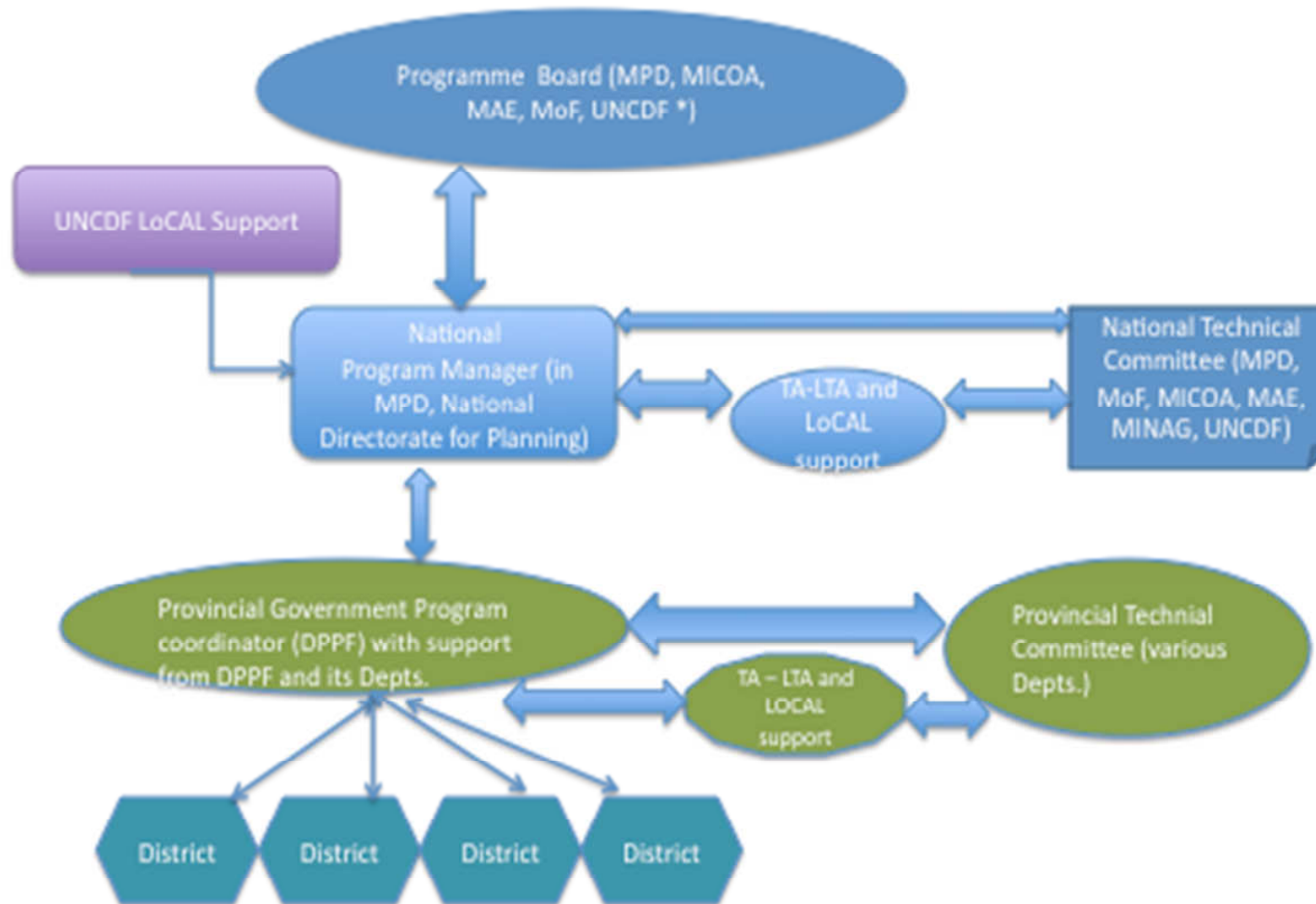
The MoU is based on a standard model used in other LoCAL countries with annexes detailing grant allocations, minimum conditions, performance measures and eligible uses of funds. Capacity development, program management support and support at national level, to the extent that this is not covered by other programs, will be managed by agreements between UNCDF and the concerned Ministries and/or by UNCDF/LoCAL directly according agreed work plans. Agreements will also be made with the provincial government involved as well as with the districts covered by LoCAL.

Through participation in LoCAL, which is a global initiative, the GoM will have a seat in the overall LoCAL Program Board at the global level. The Board guides the work planning and strategies at the global level and is supported by a small efficient secretariat, which can launch TA/CB initiatives in respective countries.

In Mozambique, LoCAL will be linked with the Government systems and procedures at three levels – national, provincial and district levels, see the overall figure overleaf.

¹⁹ It is expected that this will be linked to a possible up-scale of the FNSP as well.

Figure: Overall Institutional Coordination Arrangements for LoCAL



Overall Coordination

National Level

At the national level, LoCAL is coordinated by a **Program Board** with representatives from the core ministries with linkages to the LoCAL outputs, MDP, MICOA, MAE, MoF and UNCDF (as representative for the development partners supporting LoCAL). Other representatives from GoM and DPs may be invited as observers. The function of the program board is to: approve the annual work-plans of the program, make major decisions on directions, endorse allocations and assessment results, and provide general guidance and advice on strategic operations. UNCDF Programme Specialist and Programme Assistance in the country will be mobilizing resources, supporting programmatic implementation and guiding the operationalization of LoCAL. Specifically, the Program Board will be supported by the MPD, specifically by the National Directorate for Planning and the Program Manager from this Directorate, in the Department for Decentralised Planning, who will be the focal point from the GoM on LoCAL. The MPD will be supported by a long-term TA (LTA) in terms of coordination, technical assistance, reporting etc. and an **Advisory National Technical Committee** comprised at the technical level of core officials from core ministries such as MPD, MoF, MICOA, MAE, MINAG/SETSAN and UNCDF. The NTC will provide advice on capacity building support, allocation formula, systems for allocation, review the performance assessments of the districts, and general advice on all technical matters on LoCAL. Some of the core functions of each ministry on LoCAL are listed below:

Ministry of Planning and Development

- Overall coordination of LoCAL, and the national implementing and coordinating partner;
- Ensure consistency with LoCAL and other programs, + linkages and synergies;
- Fund request to MoF based on simulations of the grant allocations and the annual performance assessments;
- In coordination with UNCDF ensure launching of the performance assessments and quality assurance of the results;
- Coordination of planning, work-planning and budgeting;
- Consolidation of quarterly reports on LoCAL (progress reports), and financial reports from E-SISTAFE in collaboration with MoF;
- Guidance on all aspects under the Ministry;
- Maintain regular contacts with the development partners;
- Ensure through the PM that the Board is fully informed about the progress on LoCAL.

Ministry of Finance

- Ensure smooth operation of LoCAL in SISTAFE, including coding, bank account etc;
- Ensure that LoCAL is plugged into the national budgeting system based on requests from MPD/UNCDF on coding and account structure;
- Transfer timely allocations, based on fund requests from MPD;
- Support access to and compilation of reports on use of fund under LoCAL;

Ministry of State Administration

- Provide support to the performance assessments through availing of data/information on SMODD and support to adjustment of this system to accommodate the needs for LoCAL performance information;
- Support to the CB/TA and guidance to districts and PGs.

Ministry of Coordination of Environmental Affairs (MICOA)

- Policy, coordination, and strategies on CC adaptation;

- Support mainstreaming of CC in district and PG plans and budgets;
- Support on the TA/CB for districts to enhance capacity on vulnerability assessments, planning and budgeting for CC interventions.

Audit Tribunal

- Conduct independent audit of the districts/PGs spending on local activities

Provincial Government level

At the PG level, the Director of the Provincial Directorate of Planning and Finance, will be the designated **Program Manager (PM)** at this level for activities in a province and will have the designated authority to coordinate and run the program on a day – to – day basis at this level, in close coordination with the UNCDF – LoCAL long-term technical adviser (LTA) on LoCAL, who will support all processes and procedures on LoCAL at the PG level. In Gaza Province, this will be closely coordinated with the management structures of the BFFS/FNSP and the support through this program to the project coordinator, the technical adviser on planning and the technical adviser on fiscal decentralisation, project assistant and driver, and capacity will be shared on a mutually strengthening basis as both programs strive towards the similar longer term impact, hence the program manager for the PG level activities will be the same for the two programs. At the provincial level, the PG will be tasked with the coordination and supervisory roles between the respective districts' efforts on LoCAL, and to ensure close linkages with other initiatives, specially the FSNP. The program manager/coordinator at this level will be supported by the Provincial Technical Committee comprising of the PDPF/DPPF (provides the secretarial support), the Public Works and Housing (DPOPH), and Environmental Coordination (DPCA), Agriculture (DPA), Health (DPS), and Education (DPE), operating jointly with the PTC on the FNSP. As for the FNSP the SETSAN Provincial Technical Committee will also provide technical inputs and guidance to the LoCAL coordination on the PTC when it comes to matter related to its operations.

The PTC will provide guidance and input on the planning and strategies, CB /TA support, review of plans and reports, etc. and technical input to the PC. The “hub” for coordination of the plans, budgets, work-plans, reporting and accountability for LoCAL funds, will be the Provincial Directorate for Planning and Finance, which will link up with the national level, through reporting to MPD, Program Manager, (especially on LoCAL progress reports), and MoF (E-SISTAFE), in close collaboration with MICOA.

The PDPF/DPPF will be in charge of supporting districts on LoCAL, consolidating reports and general guidance at the PG level with support from the LTA, funded by LoCAL /UNCDF.

In Gaza province where both LoCAL and the FNSP are operating, strong synergies in the support will be ensured to reduce transaction costs and ensure strong efficiency. Similarly when LoCAL is up-scaled, it is anticipated that this will happen for FNSP as well, but in case one program moves faster in coverage, additional support will be planned for this program.

District Level

The district is the core level for the implementation of LoCAL, as the districts are responsible for all planning, budgeting, procurement, accounting and reporting on the use of the local grants – the PBCRG. LoCAL will follow the general government structures, with the District Administrator as the political and administrative head, and with responsibility for overall coordination of district level

development, supported by the district Permanent Secretary. The district government is supported by the District Technical Team, which comprises technicians from at least four district services, and which is normally headed by the Head of the Department for Planning and Finance responding to the district permanent secretary. The four main technical services are: i) Economic Activities, ii) Health, iii) Education, Youth and Technologies, and Planning and Infrastructures, which are coordinated by the District Secretariat responsible for district planning and finance functions. LoCAL will ensure a close link between the government structures and the people through promotion of the Consultative Committees at the district, locality and village levels, through support to participatory planning and implementation processes and through the incentives in the annual performance assessments.

UNCDF

UNCDF will provide support to all phases of the LoCAL implementation at various levels. At the global level UNCDF is in charge of and supports the coordination, work-planning, guidelines, and funding raising, and there will be a close link with the country program. At the country program national level, UNCDF, through agreements with core ministries, will ensure that funds are available for backstopping support and coordination, including TA/CB support. UNCDF in agreement with MDP will ensure that there is a long-term adviser in place to support coordination at national and PG levels.

8 Financial Management Arrangements and Flow of Funds

Planning and budgeting system

Planning and budgeting of the LoCAL PBCRG (grants) follow the general GoM systems, i.e. information will be provided by MoF/MPD about the funds available no later than April (in the year prior to the transfer year) to enable districts to plan with an well-known budget envelope, and to complete their plans and budgets in July for submission to the Provincial Government for consolidation with other districts' budgets and the PG level, **see Annex 5 on the planning cycle and system.**

LoCAL funded projects/activities will be mainstreamed with the general planning, budgeting, accounting and reporting process, and the codes in the e-SISTAFE will enable tracking of the use of funds on various activities.

Districts will plan within the eligible investments from the LoCAL Grant guidelines, see **Annex 6**, using the general planning formats for activities and outputs, which contain program, activities, outputs, source of funding, timing, beneficiaries, and responsible agent.

Financial management

The financial management procedures for the PBCRG will apply GoM procedures and funds will be using the e-SISTAFE system. Some of the districts are not yet online with the SISTAFE, but these will be supported at the provincial government level by the Provincial Directorate for Planning and Finance, Department of Public Accounts/e-SISTAFE team and funds will be integrated in the GoM plan, budget, accounting and reporting system.

For TA/CB funds (costs outside of the PBCRG) will be handled by UNCDF; and agreements may be entered on specific activities to be funded, based on agreed work-plan and the results and resource

framework in this Program Document. In close collaboration with MICOA and the Provincial Directorate of Environment, the national implementing partner will be Ministry of Planning and Development through the Provincial Directorate for Planning and Finances in Gaza, and the covered PG for activities at this level. During the project, funds may be allocated based on Letter of Agreements (LoA) between UNCDF and the implementing partner, and needs of the project, but initially, LTAs and other support will be handled by direct support (execution) from UNCDF to the cost centres (for areas outside of the investment grant – the PBCRG).

Flow of funds for the PBCRG

Funds for the coverage of the PBCRG will flow from UN to an established FOREX account in the Central Bank of Mozambique upon request from the MDP. Confirmation on receipt of funds will be provided by the MoF -the National Directorate of Treasury to the MPD, which will inform UNCDF accordingly. Upon agreement with UNCDF, MPD will send fund request to the MoF – DNT (Treasury Directorate) to transfer funds to the general treasury account/on-budget (to the “CUT”), and this request will contain information on amounts per districts based on the allocation formula and performance of each district, see **Annex 6** and the MoU, **Annex 9**.

Based on the plans, budget and actual implementation needs (e.g. need for payment of a contractor for a fixed instalment), the districts will then make a fund request (Registo de Necessidades) in the e-SISTAFE for withdrawal of funds. This is usually done on a monthly basis, but could be different, depending on the actual needs of the districts and funding requests, hence will be made when need be. The allocations of funds to the district account will depend on accountability for previous allocations/proper accounting and supporting documents for use of funds. If accountability is made of future transfers, and if the MCs are complied with, and if requests are within the budget available, funds will be transferred to the districts within a few days, and no later than in the period between 1-8th in the following month. Funds will then be transferred to the district account for the respective service (with codes for LoCAL), and district will pay the contractors/service providers according to the contract and work/services delivered.

Special issue of transfer of funds between fiscal years (to be clarified in the coming meetings, see MoU, Annex 9)

- If funds are used within the fiscal year: No issue: There will be a new instalment for next Fiscal Year.
- If funds are partly used and partly committed (contracts are signed and prepared). Then allocated to districts as an additional amount for next FY with a budget defined for the specific activities rolled-over.
- If some funds are not used and not contracted: Then funds not spent will not be added to this districts’ budget for the subsequent year, but will be available for other future LoCAL purposes, including expansion of years to be covered by LoCAL/expansion of the coverage of districts and /or funds available for allocations in the total pool of funding. (similarly if a district cannot comply with the minimum access conditions).

Accounting and reporting

LoCAL will have identified revenue/source code (source of revenues) codes and use the break-down of expenditure in the e-SISTAFE (Program, source of funds, economic classifier) to track use of funds in the system.

For districts, not yet linked directly to e-SISTAFE, the Department of Public Accounting within the overall Provincial Directorate of Planning and Finance will support the entering of data into e-SISTAFE and facilitate the transfer of funds. Districts will have to account for fund utilisation before any new fund request, and should account no later than 45 days after the receipt of funds.

Districts provide monthly reports, with support from the PDPF/DPPF, quarterly reports, half-yearly reports and annual financial statements. Quarterly reports are submitted to the MPD and the MoF. MPD will ensure that UNCDF and the Program Board get a copy of these reports. The UNCDF program support at the PG level will also get copies of all fund requests, and monthly reports from the district/SISTAFE system related with LoCAL revenue and expenditures.

The LoCAL program will apply fiscal reports from the e-SISTAFE, provided by the PDPF from provinces (consolidated for all enrolled districts), and physical progress reports on outputs and progress, see **Annex 6** (balances of plans) and **Annex 8** from DPPF to the MDP on a quarterly basis for sharing with all stakeholders in the LoCAL Program Board.

Procurement

The government's system of procurement is being applied for the use of funds from the PBCRG, and the grant access conditions contain minimum conditions as well as performance measure to promote strengthened performance in this area. LTAs will be procured by UN as well as a number of TA/CB activities. Based on agreements between UNCDF and the MPD, some parts of the budgets for TA /CB may be transferred through the GoM's budget, based on prior review of capacity and risks. The performance-based allocation under the PBCRG supports improvements in the procurement procedures and adherence with prevailing regulations.

Auditing

Accounts on use of funds are audited by i) the External Audit Tribunal, ii) the Provincial accounting department and receipts/fiscal controller department (internal control of the districts' accounts), which is conducted annually, and by MAE of certain performance areas, not directly related with fiscal affairs. LoCAL reserve the rights to issue additional audit of the transfer and use of funds, should this be required. This will be coordinated with the GoM's general audit of funds. Audit reports will also be reviewed during the annual performance assessment of the districts, and will have a direct bearing on the access to and amounts of future funds.

9 Social Accountability and Cross-Cutting Issues

9.1 Participatory assessment, planning, budgeting and monitoring

The LoCAL planning process will be closely integrated with the general process and is described in Annex 5. The table below provides an overview of some of the major steps in the planning process.

Table 4 District planning and budgeting calendar

Time	Activity
Jan – Feb.	Elaboration and approval of the evaluation (balance) of the budgeted annual plan (PESOD) from the year before. Districts review plans and collect statistics to inform spending needs.
Feb – Mar.	The Medium Term Fiscal Framework (CFMP) is elaborated – initial budget limits are communicated to the districts and budget proposals are submitted by the districts for provincial and central government review. First meeting of the District Consultative Committees at the three levels takes place.
Apr – May	Pre-planning for next years' PESOD begins. First quarterly report on PESOD progress produced
May - June	The central government communicates the final budget limit and budget guidelines to the districts
June	Based on the budget limits the PESOD for next year is finalized and submitted to the province for approval
July	Budget details entered in to E-SISTAFE. Province submits consolidated budget annual plan to the MPD. Six-monthly report on PESOD progress is produced.
August	Monitoring of PESOD progress continues in preparation for the third quarterly report
September	Second meeting of the District Consultative Committees at the three levels
December	Third quarter PESOD progress report produced which serves as a base for the annual report prepared in January of the following year

The success of LoCAL depends upon the responsiveness and accountability of local authorities to citizens and communities. Therefore, an effective mechanism of participation in assessment, planning and project implementation is essential to the design. However, this presents a greater challenge in Mozambique than in many other countries. Due to challenges with transport and communication links, participatory planning is expensive and the cost of bringing community representatives together frequently at District or Province level can become prohibitive. The community participation in LoCAL will be based on the District Planning Team which will be trained to conduct simple Vulnerability and Adaptation Analyses and identify candidate projects for PBCRG funding. Identification of potential projects would require that the Planning Team works in close coordination with the Consultative Committees, notably at the locality and administrative post level, to ensure that the process is truly participative and that projects selected represent the interests and priorities of the communities, including woman and other vulnerable groups. As it appears above from the district planning calendar, planning process begins in April each year, following an initial round of meetings of the Consultative Committees, and ends in June or early July with the submission to the province of the annual budgeted plan (PESOD). The District Planning Team is responsible for the monitoring of PESOD progress and production of progress reports. To increase community participation in the monitoring process the LoCAL project will promote the inclusion of selected members of the Consultative Committees persons in the monitoring team. In January/February of each year, this team, where necessary with UNCDF training and support, will carry out participatory evaluations of PBCRG projects as part of the evaluation of last year's PESOD and will report the results of these evaluations directly to the DG as well as to the PG level/LoCAL coordinator as an input to the annual review of the District CCA Strategy.

9.2 Gender Strategy

52% of the Mozambican population is female, and 72.2% of women live in rural areas. 24.1% are heads of household (Population Census, 2007). Human development indicators for families headed by women are extremely low. Furthermore, the relation between gender inequality, poverty and economic efficiency is increasingly clear in Mozambique. Illiteracy levels are much higher among women (63.1%) than among men (33.2%). Women, and girls in particular, have been the population

group most vulnerable to HIV/AIDS, with the percentage of infected women in the 15-24 age group three times higher than that of men.²⁰

Gender and climate change

The United Nations system is formally committed to gender mainstreaming within all United Nations policies and programs. UNESCO (2004) maintains that gender mainstreaming will not be achieved unless gender equality issues are highly visible in organizational and sectorial policies and programs, including the need to systematically include gender perspectives within existing frameworks and analyses.

A multitude of authors have raised the gender issue fundamentally in response to the feminization of poverty, as well as the invisibility of women at most scales of the climate change debate (Denton, 2000, cited by Ribeiro and Chauque, 2010). This is surprising given that addressing gender issues can increase the efficiency as well as the equity of a range of interventions, especially in relation to adaptation (Wamukonya and Skutch, 2002, cited by Ribeiro and Chauque, 2010).

Literature and experience all steer towards the conclusion that gender equality (i.e. women and men) is pivotal in developing successful initiatives. The value of incorporating gendered stakeholder analysis into adaptation projects is obviously not in the portrayal of poor women as victims who need to be saved. Similarly, the point of gender analysis is not to reinforce binary oppositions or to place men in a subordinate role, it is simply to sophisticate the scope of multi-scalar analysis and to ensure that special needs are factored in throughout all steps from planning to monitoring. Gender analysis and action has clearly added value in at least three key areas. The first is vulnerability – the need to take account of the different forms of (and reason for) vulnerability of men and women and inequalities in the level of vulnerability between men and women, as well as compounding influences of other social characteristics. The second is adaptive capacity – the need to analyse the difference in options/potential and consequences for women and men in different areas of adaptive capacity. The third is in policy-making – how to ensure that women and men have an equal, or equitable influence in knowledge production and decision making at all levels, and the policymaking resulting from the whole NAPA process. In all three areas gender-analysis can be approached as an essential element both in terms of program-efficiency and in terms of empowerment. According to Osório (2003) the gender discourse in Mozambique is driven by its political and historical context, which in the last 40 years has been characterized by two wars (colonial up to 1975 and civil from 1977 to 1992) and three political systems. During the colonial period both women and men were deprived from their civil rights. It also recognized the role of the traditional structures that is men-dominated and as such women were “invisible”. After the independence Mozambique adopted a mono-party regime with Marxism-Leninism ideals that recognized equal access to education and jobs for both women and men. However the regime emphasized the role of women as mothers and educators. During the Civil War with the political and economic defeat of the country, the Government of Mozambique Emphasized the role of women (as mothers) as the pillar of the family as a way to avoid further social rupture. From 1992 on with the new Constitution and creation of new civic organizations (NGOS’s etc) the discourse on gender has gained other dynamic. As a result the number of women in decision-making positions such as the parliament (40% are women) and government has increased. However, this plurality is not translated in profound changes in the social and gender relations (Osorio, 2007, cited by Ribeiro and Chauque, 2010). It is noteworthy to highlight that in the Mozambican context to mainstream gender in any field it is important to

²⁰ Source: MINAG, Strategic Plan for Agricultural Development , PEDSA 2010-2019

consider the social-cultural model that drives society's identity and attributes roles and rights based on sex and age.²¹

Climate change may have specific impacts on women, and climate change adaptation projects activities may affect women differently from men. Often women are managers for food production and food security and so have a vital role in adaptation responses, but at the same time often the most vulnerable when it comes to changes in changes influenced by climate change. However, women often have a limited voice in formal political and decision-making forums as well as in actual project implementation and supervision. There are generally fewer women in core managing position and leading consultative bodies. Community representatives on various committees are also usually men. While the principle of LoCAL is to use existing systems except in matters directly relating to climate change, this limited women's representation is a serious concern, which has been addressed in the design as well as throughout implementation. Recognizing that gender equality contributes to poverty reduction and climate change resilience, economic growth, human well-being and development effectiveness, gender issues have been included in the design of LoCAL from the onset of the preparations in Mozambique.

Therefore LoCAL addresses the issue of gender through a concerted strategy with multiple entrances and interventions. LoCAL will strive to ensure that gender issues and gender equality is promoted in all phases from planning, project identification, budgeting, implementation to supervision and reporting.

First response to this situation is that the PBCRG Investment Menu (eligible expenditures funded from LoCAL PBCRG), **Annex 6**, reflects the specific needs of women as a group that is particularly vulnerable to the impacts of climate change and limited resilient infrastructure and services.

Second, procedures for participatory vulnerability assessments, formulation of the district Climate Change Adaptation Strategies and mainstreaming of CC in planning and budgeting procedures, and allocation of PBCRG funds will focus attention on the needs of women and other vulnerable groups. Women's special needs will be reflected in the vulnerability assessments and the strategic and operational planning and LoCAL to identify projects which are also benefitting women.

Third, a number of the performance measures in the annual district performance assessment to promote gender concerns are included in the FNSP/LoCAL Performance Assessment Manual, and will reward that districts take gender issues seriously and which effectively promote gender equality. Examples of these are women's participation on the local consultative committees, and projects focusing on women's needs. Fourth, the project will monitor beneficiaries of projects, broken down on gender, and will focus on ensuring that projects are targeting the vulnerable groups and ensure that reporting, monitoring and follow-up is made from a gender perspective.

Finally, the capacity development support and technical assistance will strengthen the districts' and provinces' capacity and performance on gender issues, as well as other cross-cutting concerns. Activities will be put in place to focus on women's empowerment and involvement in decision-making on issues related with development work, especially when it comes to climate change issues.

Key principles to be promoted will be gender equality mainstreamed in all procedures of LoCAL from planning to reporting, women's empowerment through capacity development and sensitization, engender planning and budgeting and resource allocation process and focused CB support to

²¹ Source: Gender and Climate Change: Mozambique Case Study, By Natasha Ribeiro and Aniceto Chaúque, 2010.

women at the districts level and community mobilisation. LoCAL will be in a strong position to promote this through the combined investment funding available, incentive system in the performance assessments and the capacity development/technical assistance provided.

9.3 Environmental and Land Ownership Safeguards

Infrastructure projects in Mozambique are subject to environmental impact assessments (EIA) overseen by MICOA (Ministry for the Coordination of Environmental Affairs). MICOA has developed a number of regulations relating to environmental management in terms of Article 16(2) of the Environment Law. The EIA process is set out in *Regulations on the EIA Process*, Decree No 45 of 2004. The regulations apply to all public or private activities, which may have a direct or indirect impact on the environment.

As a participating Ministry in LoCAL, MICOA will provide advice and support for operationalization of these regulations for PBCRG projects. Most PBCRG projects will be small and environmental risks will be correspondingly limited, but inappropriate design could lead to increased erosion, threats to water supplies, damage to fragile ecosystems or inappropriate economic development in sensitive areas. Proper screening and EIA, together with adequate technical design capacity, are needed to mitigate these risks.

All land in Mozambique is the property of the State. The Land Law (No. 19/1997, 1st of October) provides the legal framework for ownership and control of land and natural resources. In terms of land tenure, the Law states in Article 12 that individuals, families or communities that occupy and use a certain area of land have the right of tenure, i.e. they cannot be removed unless by government order. It is possible for the occupiers to request a land title document called a DUAT (Direito de Uso e Aproveitamento da Terra) but, apart from large private or state run projects, few DUATS are requested or issued. The DUAT has a validity of 50 years and can be renewed for an equal period on request. In some areas of Mozambique there are land disputes, usually when a private company wishes to occupy community land in order to begin an investment project. Therefore, PBCRG projects will only proceed when there are no existing land ownership issues or disputes, **see Annex 6**.

10 Risks and Mitigation Measures

LoCAL builds upon the successful implementation of other programs in Mozambique, and on a long-term cooperation between UNCDF and the GoM on support to decentralisation/deconcentration and local level service delivery. Furthermore LOCAL is based on the fruitful experiences of LoCAL pilots in other countries, hence the risks are considered to be low to moderate. However certain factors could impact negatively on the LoCAL implementation if not addressed. This section identifies these factors, assesses the degree of risk and describes project design features that mitigate the risks.

Risk: Districts fail to achieve the minimum conditions for award of the PBCRG. This risk is assessed as low. The proposed target districts, have low capacity in certain area, but the core system of planning, budgeting, accounting and procurement are operational, and being supported by the provincial government level as well. The MCs have been discussed with the districts as part of the design, and the districts are confident that they will be able to manage. Districts will also be provided with assistance to achieve the minimum conditions (related to CCA planning) in the first

year of implementation and will get support to first hand vulnerability assessments, adaptation planning and strategies and identification of eligible projects within the investment menu. In the event that a district fails to achieve the minimum conditions, funding for LoCAL will not be lost but will be available for allocation for eligible districts in the subsequent year, and districts will be supported to get access to the general funds from the subsequent years.

Risk – The planning system fails to deliver a coherent climate change adaptation strategies and plans and to mainstream CC considerations in the PFM procedures. This risk is assessed as low. Initial preparation of district (quick) vulnerability assessments and support to CCA Strategies and plans will follow carefully designed procedures and benefit from expert inputs on overall climate trends, vulnerability and potential adaptation measures as well as skilled facilitation of the process. LoCAL will also benefit from other programs with related efforts such as the UNDP DRR and CC program in Gaza. It is expected that the CCA assessments and strategies developed in the first year will provide an adequate basis for allocation of the PBCRG and that the strategy and plans will be strengthened by an iterative process of learning and review in following years. LoCAL will work closely with other projects on this initiative, especially the UNDP supported DRR and CC and Danida’s support to selected districts on CC mainstreaming in planning and budgeting procedures. Second, districts will have strong incentives in the annual performance assessments to use the CB support and TA provided effectively, as this will impact the level of future grant allocations.

Risk: Delays in availability of funds for the districts. This risk is assessed as moderate in the first year, but low in the subsequent years. In the first year, there may be some delays in the establishment of codes and in integrated LoCAL in the GoM managed e-SISTAFE, and in getting it all ready to go on-budget, but this is expected to run smoothly in the subsequent years. The risk will be mitigated by close dialogue between UNCDF, MoF and MDP to ensure that codes are established on time, and that funds are transferred to the FOREX account and from there to CUT/Treasury account in due time for the district’s needs. There will be a continuous and minimum quarterly follow-up on the allocations and use of funds from the LoCAL facility. TA will be located at the central as well as PG level to support TA, coding, reporting follow-up etc.

Risk: The budgeting system fails to allocate funds to genuine CCA priorities. This risk is assessed as moderate. First, given limited awareness of climate change risks and adaptation needs, there may be a tendency in communities and by technical planners to apply funds to general development activities (e.g. administration buildings and general roads) or to (non-climate change related) disaster risk reduction, which are seen as immediate priorities. Second, the district government may seek to re-allocate funds to political priorities during review of the draft budget. Mitigation measures will include: (1) mandatory, CCA-relevant selection criteria included in the district CCA Strategy and Planning Process; (2) clear eligible list of PBCRG eligible expenditures, which will be checked in terms of compliance in the planning, budget and budget execution process, especially during the annual performance assessments (see Annex 4); (3) clear rules on misuse of funds, as spending within the investment menu is part of the minimum access conditions, (4) the Provincial Directorate Planning and Finance and the advisers will review suggested projects/plans and continuously follow-up and dialogue with the districts to ensure conformity with the CCA strategy and criteria in the guidelines; (5) TA and capacity building support on the entire PFM cycle including CC implementation process, supported by a strong performance incentive system.

Risk: Misuse of funds. This risk is assessed as moderate, based on the experience of the performance-based grants from other countries and given that the same safeguards (including management of funds in separate, ring-fenced in terms of account codes and current reporting, and regular auditing of expenditures) will apply to PBCRG. If there are cases of misuse of funds, these will have to be repaid, and the district will not get access to the allocations in the following year (see

Annex 4 for the clear conditions to grant access). Through the e-SISTAFE system and balance of plan reporting, LoCAL will follow up on a quarterly basis. Audit is also complemented by the annual performance assessments, which will review the performance of the districts in PFM and governance as well as from regular field missions and monitoring activities.

Risk: Implementation is impeded by bottlenecks in financial management, procurement and implementation at local level. While some delays will inevitably occur, the risk that these will seriously reduce project impact is assessed as low. The districts have demonstrated capacity to implement investment projects, and have the basic staff in place to do so. Through LoCAL and other initiatives the districts will receive further support to the entire PFM cycle. Incentives in the performance-based PBCRG will enhance performance improvements in those areas. Second, the PG will support the districts with e-SISTAFE, monitoring and follow-up, also through the LoCAL TA and the support staff hired under the FNSP.

Risk: Inadequate technical capacity results in failed CCA projects. This risk is assessed as moderate, with a high risk that some technical failures will occur. District governments do not yet have sufficient in-house engineering capacity and face difficulties in accessing support from others. Some design work can be contracted to private sector consultants but these are mainly based in major cities and the level of expertise is uncertain. However up to 10% of the PBCRG may be spent on technical services and this should provide the districts with some flexibility to hire genuine expert services from the private sector where needed for planning, design, budgeting, contracting monitoring as well as field-work monitoring. Also the FNSP and the LoCAL will post technical advisers on this area at the provincial government level to provide advice to district in critical areas.

Risk: Poor coordination or duplication of efforts between LoCAL and other CCA initiatives. This risk is assessed as low. Relations between agencies at Provincial level are generally good and there is a general willingness to integrate efforts to maximise benefits. LoCAL will actively facilitate and support cross-agency collaboration for CCA at the Provincial and community levels, and will be closely linked with relevant program such as the BFFS/FNSP, the UNDP support DRR and CC, the national program for decentralised planning, etc. **See Annex 1** on the core on-going CC initiatives, which have all been consulted during the design. During design, joint field-work with other programs was already initiated, and this is expected to continue throughout implementation.

11 Time-frame and Budget

11.1 Time-Frame

LoCAL in Mozambique will start from the 4th quarter of 2014, with planning support to the planning process for FY 2016, starting in beginning of 2015. This will allow the first PBCRG allocations to be made through the FY 2016 budgets. The first Phase I of LoCAL in Mozambique will support three rounds of PBCRG allocations (FY 2016, FY 2017 and FY 2018). During 2018, results and lessons learned will be reviewed and, subject to agreement with GoM, availability of funding and compliance with minimum access conditions, LoCAL would then be up-scaled to additional provinces and districts and after a review of the feasibility from FY 2019. In 2018, the specific planning for up-scaling to one more province and 8 additional districts will be initiated with capacity development support, technical assistance, baseline surveys and support to vulnerability assessments, so that the second phase of LoCAL is ready for implementation by 2019 provided that additional funding is available. This second phase is expected to last until the end of 2021, from which a country-wide system, should be introduced, based on the lessons learned from 2022. Phases II and III will depend

on mobilisation of additional resources for LoCAL Mozambique. **Annex 13** provides an overview of the up-start activities to be conducted.

11.2 Indicative Budget

The budget for Phase I is based on PBCRG equivalent to an average approximate “top-up” of 15-20% of the current funds available for district investments. This is of sufficient size to support viable CCA projects and to create a meaningful performance incentive, but not so large as to “crowd out” other resources and priorities. The actual allocation per district will depend on the formula taking performance into account. With support costs, the budget of LoCAL for the first phase is estimated to about EUR 2.37 million or USD 3.12 million, of which the PBCRG element is USD 1.50 million, The total budget is funded by Belgium Technical Cooperation with 1.75 Million Euro (around 2.31 Million USD) and at least Euro 0.62 million (or USD 0.81 Million) from UNCDF and other sources yet to be mobilised, see Section 12 for more detailed overview of activities and related budget. It is expected that out of the current discussions with the donor community LoCAL budget will significantly increase throughout the implementation of the four years programme.

This covers the support to one Province Gaza and 4 districts (grants to these four bodies) over three fiscal years, support costs and costs for preparation of up-scaling. Support costs have been estimated on the assumption that enrolled districts will receive some support to climate change adaptation activities at the local level from a number other programs mentioned in Section 2.4, particularly the UNDP supported DRR and CC program and the FNSP. It is further assumed that generic support to provincial government PFM and governance capacity building (including planning, budgeting, accountability, support to the annual assessments and M&E etc) will continue under the National program for Decentralised Planning. Through regular interaction and coordination between these initiatives, the transactions costs will be minimized.

12 LOG-FRAME and M&E System

12.1 Logical Framework

Below is an overview of the LoCAL Logical Framework and Monitoring and Evaluation (M&E) system. At the overall impact level, the expected impact is similar to the support under the FNSP, as these two programs will be closely related and coordinated.

Table 6: Logical Framework for LoCAL and Overall Budget

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
Expected long-term impact				
Improved food security & nutrition and reduced vulnerability of people in 4 districts in Gaza Province ²² with plans to up-scale to other districts.	% of food insecure households and vulnerable people (reduced) Target: Reduced by 15 % in target districts by end of project.	Government development reports, balance reports, data collection during annual performance assessments, baselines, MTR and final reports.	Baseline, midterm (2016), end of project and ex-post	MPD UNCDF SETSAN
OUTCOME				
The resilience of districts to climate change has improved as a result of an increase in access to climate change adaptation financing through performance-based climate resilient grants	Number of exemplary service projects financed by LoCAL that directly and measurably contribute to increased resilience Target: Minimum 2 investments per target district per annum.	Progress reports on plans and budgets Field visits	Quarterly	Districts MPD, MICOA UNCDF/LoCAL
OUTPUTS				
Output 1: Effective performance-based climate resilient grant system (finance mechanism) is established in Mozambique and operational for additional funding	MoU entered between UNCDF and core ministries LoCAL guidelines established Annual performance assessment manual adopted	MoU Grant guidelines Performance Assessment Manual.	Annual review of the operations	MoF MPD, MICOA UNCDF

²² The LoCAL supports the overall longer-term impact of the Food Security and Nutrition Program in Mozambique through synergies in investments, capacity building and technical assistance.

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
	<p>and launched.</p> <p>Funds entered in the e-SISTAFE and ready for application.</p> <p>Annual and timely performance assessment of districts' performance linked with the assessment of performance under the FSNP (2014, 2015, 2016 and 2017)</p> <p>Allocations to districts based on a transparent, objective and performance-based grant allocation formula.</p> <p>Number of district fulfilling the annual performance assessment minimum conditions (Number and %), by 2018. Target: 100 % of target districts can comply by end of 2018.</p> <p>% increase in funds available for resilient investments in target districts both from LoCAL and other sources. Target by end of project is increase on minimum 15 % in the target areas.</p>	<p>Performance assessment reports.</p> <p>Review of allocations against formula established.</p> <p>FSNP/LoCAL internal reports</p> <p>FSNP/LoCAL internal reports + SISTAFE</p> <p>FSNP/LoCAL internal reports Performance Assessment reports.</p> <p>e-SISTAFE, internal project reports.</p> <p>Planning balance reports.</p>		

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
<p>Output 2: Inclusive, effective and accountable CC mainstreamed planning and budgeting processes at the district level</p>	<p>Number of target districts which has mainstreamed climate change into the annual plans and budgets. Target: Increase from 0 in 2014 to 4 in 2018.</p> <p>Evidence of linkages and synergies with the WB/UNDP National Programme for Decentralised Planning and Finance</p> <p>Performance scores in the annual performance assessment on planning, budgeting and accountability. Target: increase by min. 5 % from year to year.</p> <p>Number of districts, which have included climate change activities in the annual progress reports. Target: Increase from 0-4 from 2014-2018.</p> <p>Number of districts completed vulnerability assessments and adaptation strategies on CC</p> <p>Number of capacity building interventions conducted to</p>	<p>Annual performance assessment reports</p> <p>SModD</p> <p>Field visits</p>	<p>Annually</p>	<p>MPD/MICOA/UNCDF: Annual performance assessments</p> <p>MAE (SModD data)</p> <p>UNCDF</p> <p>UNDP (links with the DRR and CC program to strengthen local capacity in cc planning).</p>

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
	strengthen the capacity of district to plan and budget for climate change related interventions (annually). Target: minimum 2 per district per year.			
Output 3: Climate change resilient investments (services and infrastructure) are managed efficiently and effectively and transparently implemented by the participating districts through the PBCRG system	<p>List of climate resilient activities actually implemented and accounted for in the targeted districts in accordance with the LoCAL investment menu (annually). Target: Min 2 per investments target district per year.</p> <p>Number of procurement processes completed.</p> <p>Number of districts providing feedback to citizens on the actual implementation of PBCRG supported projects. Target: all target districts by end of project.</p>	<p>Balance/progress reports</p> <p>Performance Assessment Reports from the annual performance assessments (including field missions)</p> <p>Minutes from Consultative Committee meetings</p>	Annually	Districts MPD, MICOA UNCDF
Output 4: M&E system and lessons learned to inform national policies informed about experiences from launch of LoCAL and integration of CC in all steps of the local PFM process and	M&E system operational with use of progress reports, SISTAFE and annual performance assessment reports linked with data from SMOdd, which has undergone QA for the indicators applied in	<p>Programme progress reports</p> <p>Case studies</p> <p>Annual reports</p>	Annual.	MDP and UNCDF/LoCAL (this will require active advocacy and operational support by LoCAL /UNCDF).

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
improvements of PFM.	LoCAL. Number of reports on lessons learned produced by LoCAL and shared with GoM. Target: minimum one per year. Number of policies, legislative documents, regulations and guidelines influenced by LoCAL. Target: 3 by end of program.			
Output 5: Completed roll-out plans and capacity building support for new districts in new province(s) by end of program	PBCRG ready for roll-out in minimum 8 additional districts of which minimum 4 are in another province (preliminary indicated as Inhambane) indicated by completed MoU, revised guidelines, budgets and work-plans and completed capacity building and awareness raising in these new districts.	Roll-out plan with details completed by 2018. CB completion reports by end of 2018. Agreement in 2018 to roll-out LoCAL in minimum 8 additional districts.	One time: Mid 2017.	UNCDF/LoCAL.
ACTIVITIES				
Under Output 1 – Effective PBCRG in operation	Establish codes for LoCAL in SISTAFE and agreements on flow of funds, holding account, instalments etc.			
	Finalise and currently up-date the horizontal allocation formula and grant simulations on PBCRG			
	Current up-date and refinement of the guidelines and manuals related with LoCAL including the Grant guidelines and the Performance Assessment Manual, MoU etc.			
	Basic PFM capacity building support to enrolled districts			

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
	Training of annual performance assessment teams and support to conduction of the annual performance assessments with QA and reporting			
	Initiatives on attracting additional funding for cc under LoCAL for Mozambique			
	Annual allocation of PBCRG to eligible districts			
	Up-date the performance assessment manual based on lessons learned from the first 2 rounds of assessments			
	Annual performance assessments			
Under Output 2 – CC mainstreamed in planning and budgeting	Finalise LoCAL planning guidelines with linkages to the UNDP DRR and CC program in Gaza			
	In collaboration with UNDP support capacity development of districts to mainstream climate change adaptation initiatives in plans, budgets, implementation and reporting			
	Support districts to conduct the necessary quick vulnerability assessments and prioritisation of cc investments and activities (especially in the first round of planning and budgeting).			
	Provide TA/CB support to the province to backstop, monitor and support the districts in CC operations.			
Under Output 3: Effective implementation of LoCAL	Provide awareness raising on the eligible investments			
	Provide training to district technical staff on identifying, planning and managing CC resilient investments			
	Review plans of districts and provide feed-back			
	Establish a hot-line for advice on cc related investments			
	Current monitoring and reporting on use of funds, review of investment and progress made (regular monitoring missions to the districts)			
Under Output 4: M&E and policy outputs	Establish an M&E data-base on LoCAL + baselines, and instruments for assessment of progress, linked with the MPL PESOD balance reporting system, the SMOdd, and other systems on M&E.			
	Conduct annual review, MTR and final review.			
	Support analysis and documentation of lessons learned, annual reviews etc.			
	Provide input to national policies, legal documents and guidelines for districts on the PFM			
Under Output 5: Systems ready for roll-out of LoCAL	Final selection of vulnerable districts/provinces for roll-out			

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
	Capacity building and preparation for roll-out of LoCAL to the new provinces/districts			
	Baseline surveys in new areas			
INPUT				
Re. Output 1				
Annual PBCRG	3 rounds /(fiscal years) @ 125,000 USD ²³ @ 4 districts = 1,500,000 USD			
TA for guidelines, manuals, systems etc.	4 years (including 2014) @ 25,000 USD = 100,000			
Annual performance assessments	4 @ 25,000 USD = 100,000			
Total Output 1	1,700,000 USD			
Re. Output 2				
TA	4 @ 25,000 = 100,000 USD			
Capacity building of districts including support to provincial government	3 @ 30,000 = 90,000 USD			
Total Output 2	190,000 USD			
Re. Output 3				
TA/CB including support to provincial government	4 @ 50,000 = 200,000 USD			
Total Output 3	200,000 USD			
Re. Output 4:				
TA + system input	2 @ 30,000 = 60,000 USD			
MTR	1 @ 50,000 USD			
Documentation	3 @ 15,000 USD = 45,000 USD			
Total Output 4	155,000 USD			

²³ These are average figures and the exact amount will depend on the results of the allocation formula and the annual performance assessments.

Intervention logic	Indicators	Means of Verification and data sources	Frequency	Responsible
Re. Output 5:				
Baseline survey etc.	1 @ 40,000 USD = 40,000 USD			
TA	1 @ 40,000 USD = 50,000 USD			
CB support	1 @ 25,000 USD = 25,000 USD			
Total Output 5	115,000 USD			
UNCDF HR and Running Costs in Mozambique, which includes a portion of the salary of the Programme Specialist and office expenses (i.e. rent, utilities, phone, security, etc) in Maputo	4 years x USD 85.000 = USD 340.000			
Long-term technical assistance at the national level (MPD) on CC/LoCAL support and coordination	1 LT position @ 5500 USD @ 36 months = <u>198,000 USD</u>			
Long- term Technical assistance at the provincial government level on CC/LoCAL support	1 LT position @3,500 @36 months= 126,000 USD			
Total LT TA supporting all outputs	664,000 USD			
Contingency	100,000 USD			
Total Budget	2,366,667 EURO = approximately 3,124,000 USD of which 1.75 million Euro is funded by the Belgium Government and the remaining part: 0.62 million Euro by UNCDF and other sources, yet to be mobilised.			

12.2 M&E Framework

The overall framework for monitoring of results will follow the listed activities in the “Table on the Results and Resource Framework”, see above. However, below is a brief summary of the main elements of the LoCAL M&E system, which are closely linked and make use of the GoM systems.

LoCAL has a strong focus on documenting results in all phases of the program, through regularly quarterly reports, annual reports, annual performance assessments and more expanded midterm reviews (MTR) and final assessment.

For regular information on the fiscal progress and use of funds, quarterly reports from the e-SISTAFE will be compiled from district-based information at the provincial government level (extract from the system, compiled) and shared with the Program Manager for LoCAL and core stakeholders (including UNCDF) at the central level. These reports will inform about transfer of funds, utilisation of funds across cost areas, types of expenditures and source of funding. Second, physical progress reports (with narratives) on the outputs will derived from the quarterly progress reports on the PESOD (balance reports) also compiled at the provincial level for all participating districts and submitted to the MDP and the PM for LoCAL at the central level. LoCAL will make use of the reporting formats for this system, and provide information to the districts about how LoCAL relevant information can be captured and specified in additional notes to the standard reporting formats. In addition to these reports, LoCAL will ensure that there are regular field mission to the districts and to Gaza Provincial to learn about the progress and possible challenges, but by the provincial level coordination and support team as well as from the central (and global) levels.

In addition to these regular reports, the annual performance assessments of the districts performance under the LoCAL / (also applied under the FNSP), will inform LoCAL about the performance of the districts on LoCAL relevant areas, PFM, governance and on climate change adaptation activities, and the impact of the CB/TA support and incentives in the system. Every year, a synthesis of the performance assessment reports will be available with district specific assessments, see the Annex on Minimum Conditions and Performance Measures for LoCAL. This system will be closely linked to the MAE performance measurement system SMODD, and a close collaboration with this system will be ensured throughout implementation. LoCAL will work with MAE to support incorporation of LoCAL relevant indicators into the general performance measurement system and make use of data (after quality assurance in the field) from this system.

Under output 4, LoCAL will ensure regular collection of lessons learned from implementation, document these and work on an informed basis on support to improve the regulatory and policy framework for local level CCA activities, including guidelines, manuals etc., on local level climate change adaptation /PFM related issues. As part of this lessons learned, LoCAL will conduct a MTR in the beginning of 2017, to ensure that the roll-out of LoCAL to new districts is based on lessons learned from the first 2 years of LoCAL operations. During this process, the guidelines and manuals including the minimum conditions and performance measures may also be revised. LoCAL will produce an annual status report on the implementation, including overview of use of funds, activities, plans, and lessons learned for discussions/deliberations in the LoCAL Board at the national as well as global level.

13 Annual Work-Plan for 2014

Annex 13 contains an annual work-plan for the remaining part of 2014 and for 2015. These activities are critical to ensure that funds can hit the ground from FY 2015. Some of the core activities are related with support to the first round of vulnerability assessments and CC planning, activities related with ensuring that the PBCRG is including in the national budget and has specific codes for tracking, and preparation of the districts in operations and implementation of local projects as well as establishment of the institutional framework and support systems and procedures.

14 Annexes

Annex 1: Brief description of complementary Climate Change Adaptation, local governance and local development support initiatives in Mozambique

Annex 2: Vulnerability and adaptation analysis – criteria for selection of pilot sites

Annex 3: Findings on climate change vulnerabilities from selected pilot provincial governments and districts

Annex 4: Outline of the Indicative Minimum Conditions and Performance Measures that will apply to PBCRG

Annex 5: Provisional Framework for Provincial Climate Change Adaptation Planning

Annex 6: Draft Grant guidelines including draft Investment Menu

Annex 7: Capacity of the PGs/Districts and need for CB support

Annex 8: Monitoring and Reporting formats

Annex 9: Draft MoU

Annex 10: Existing Funding System – District Budgets

Annex 11: Grant Simulations of the PBCRG

Annex 12: Focus Areas in the PBCRG

Annex 13: Work-Plan for the LoCAL - 2014

Annex 14: References

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