



LoCAL
LOCAL CLIMATE
ADAPTIVE LIVING FACILITY

Financing adaptation at the local level

Performance-based grants for climate resilience

LoCAL: Local Climate Adaptive Living Facility

The Local Climate Adaptive Living Facility (LoCAL) of the UN Capital Development Fund provides a mechanism to integrate climate change adaptation into local governments' planning and budgeting systems, increase awareness and response to climate change at local level, and increase the amount of finance available to local governments for climate change adaptation. LoCAL combines performance-based climate resilience grants (PBCRGs), which ensure programming and verification of climate change expenditures at the local level, with technical and capacity building support. It uses the demonstration effect to trigger further flows for local adaptation, including national fiscal transfers and global climate finance for local authorities, through their central governments.

Why LoCAL?

Local authorities of Least Developed Countries (LDCs) are in a unique position to identify the climate change adaptation responses that best meet local needs, and typically have the mandate to undertake the small- to medium-sized adaptation investments required for building climate resilience. Yet they frequently lack the resources to do so – and even more to do so in a way that is aligned with established decision-making processes and public planning and budgeting cycles.



Climate migrants - Niger © LoCAL-UNCDF Photo K. Mai Moussa

How does LoCAL work?

LoCAL operates through three phases:

Phase I: 'Piloting'. The first phase involves initial scoping, followed by testing in two to four local governments. Countries under phase I include Bangladesh, Benin, Ghana, Lao PDR, Mali, Mozambique, Nepal, Niger and Solomon Islands.

Phase II: 'Learning'. The second phase takes place in 5% to 10% of local governments of a country. This involves collecting lessons and demonstrating the effectiveness of the mechanism at larger scale. Countries under phase II include Bhutan and Cambodia.

Phase III: 'Scaling-up'. The third phase is a full national rollout of LoCAL based on the results and lessons of the previous phases. LoCAL is gradually extended to all local governments, with domestic or international climate finance, and becomes the national system for channeling adaptation finance to the local level. Bhutan and Cambodia are preparing for phase III.

What are Performance-Based Resilient Grants?

PBCRGs provide a financial top-up to cover the additional costs of making investments climate resilient, and are channelled through existing government fiscal transfer systems (rather than parallel or ad hoc structures). LoCAL grants are disbursed as part of a local government's regular budget envelope and can thus finance the 'adaptation' element of larger projects, allowing for holistic responses to climate change.

PBCRGs include a set of minimum conditions, performance criteria and a menu of eligible investments and typically involve a number of key steps:

✓ **Climate information and vulnerability and adaptation assessments** are reviewed or undertaken to inform the process. **Needs and capacities** are assessed.

✓ Local governments develop in a participatory manner **local adaptation plans or programmes, integrate adaptation** in their own local development planning and budgeting processes and **cost and select adaptation measures** to be financed through the PBCRG.

✓ **Grants are disbursed** to support the implementation of LoCAL investments in the context of local authorities' annual planning and budgeting cycles, and selected measures are implemented.

✓ **Performance is appraised** in terms of the degree to which additional resources have been used to build resilience and promote adaptation to climate change, and audits are undertaken as part of the regular national process.

Capacity building activities are undertaken at various stages according to identified needs; they target the policy, institutional and individual levels.

We "encourage all LDCs (...) to take advantage of the Local Climate Adaptive Living Facility to enhance their local governments' capability to discharge their responsibility in the implementation of the National Adaptation Plans"

*Ministers and representatives of Asia and Pacific LDCs
Kathmandu, Nepal, December 2014*

What are LoCAL achievements to date?

Since it started its work in 2 countries in 2011, LoCAL has been introduced or tested in an additional 9 countries in Asia and Africa. To date, LoCAL has provided grants to **29 local governments, reaching out to a population of over 4 million**, across 7 LDCs in Asia (Bangladesh, Bhutan, Cambodia, Lao PDR and Nepal) and Africa (Benin and Mali). The objective of the support is to pilot a mechanism that can then be scaled up to the national level, therefore targeting over 230 million people.

✓ In **Bhutan**, LoCAL has been implemented with 6 local governments through the Local Government Support Development Programme (LGSDP). Through this 5-year programme, LoCAL will be rolled out to 13 local governments as part of a national scale-up, in partnership with the European Union and UNDP-UNEP Poverty-Environment Initiative.

✓ In **Cambodia**, LoCAL was initiated in 2012 thanks to a grant from the Cambodia Climate Change Alliance. LoCAL is now working with 61 communes within 8 districts, with support from the Swedish International Development Agency. The LoCAL approach is included in the 3-year implementation plan of the national programme for subnational democratic development of Cambodia, giving excellent prospects for a full national roll out.

✓ In **Benin**, LoCAL is being piloted in the Northern region of the country. The first climate resilient investments financed by the PBCRGs are expected by mid-2015.

Way Forward

In 2015, an additional dozen local governments from 4 countries in Africa (Ghana, Mozambique and Niger) and the Pacific (Solomon Islands) are expected to join and make use of the mechanism, thereby enabling another million poor people to benefit from this new type of access to climate finance and the adaptation investments that follow.

More LDCs have expressed interest and are preparing to join LoCAL as it offers them a proven and scalable mechanism to channel climate finance effectively and transparently to the people most in needs.



"For women, the road was crucial. It was hard to deliver babies because of access: we had to go to the hospital by boat – it was risky.

And also for the children, floods made it impossible for them to study like the others. Now we do not lose sleep over this anymore and we have much better access to services when we need them",

Mrs Seng Sareth, First Deputy in Borei Chulsa Commune Council, Cambodia.

Cambodia © LoCAL-UNCDF Photo C.Jancloes

What is LoCAL added value?

- ✓ LoCAL is **aligned** with country strategies and makes use of existing government systems, fully embracing the aid and development **effectiveness agenda for climate change**
- ✓ LoCAL makes use of **performance-based grants for climate resilience**, providing incentives through financial top-ups, helping build stronger and more transparent government financial systems.
- ✓ LoCAL promotes the **integration of climate change adaptation into local development planning**, supporting the actual **implementation of national level** climate change and decentralization **strategies**.
- ✓ LoCAL ensures the **voices of the communities and the poorest** are reflected in local development plans and investments, so that climate finance reaches the ones who most need it.
- ✓ LoCAL offers a **proven mechanism for the international community** to channel climate change finance to the most remote and vulnerable regions and populations of the world, ensuring **traceability and performance monitoring and reporting**.

"I made the bridge 1.5 meters above the 2 meters level considered to be the highest level of the river. It is a very safe bridge"
Mr Thinley Wangchuk, District Assistant Engineer, Bhutan



Tanzania © LoCAL-UNCDF Photo A.Rogers

UNCDF - Building capacities at the local level

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their small businesses by increasing access to micro-finance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help micro-finance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.



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🏠 Website: www.local-uncdf.org

▶ LoCAL youtube channel: www.youtube.com/local-uncdf

Other Links:

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