



**FINANCING ADAPTATION AT THE LOCAL LEVEL**  
performance-based grants for climate resilience

## WHAT IS LoCAL?

The Local Climate Adaptive Living Facility (LoCAL) of the UN Capital Development Fund provides a country-based mechanism to **increase awareness** and response to climate change at the local level, **integrate climate change adaptation** into local governments' planning and budgeting

systems in a participatory and gender-sensitive manner, 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 a 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 are mandated to undertake the small- to medium-sized adaptation investments needed for building climate resilience. Yet they frequently lack the

resources to fulfil this mandate – especially in a way which is aligned with established decision-making processes and public planning and budgeting cycles.

## HOW DOES LoCAL WORK?

LoCAL operates through three phases. **Phase I – Piloting** consists of initial scoping, followed by testing in two to four

local governments. Phase I countries are Ghana, Lao PDR, Mali, Mozambique, Niger, Nepal, Tanzania and Tuvalu.

**Phase III – Scaling-up** is full national roll-out of LoCAL based on the results of the previous phases and lessons learned. During this phase, LoCAL is gradually extended to all local governments, with domestic or international climate finance, and becomes the national system for channelling adaptation finance to the local level. Funding from the European Union has been approved for Bhutan's Phase III; Cambodia has also begun Phase III preparations.

**Phase II – Learning** takes place in 5–10 local governments in a country. It involves collecting lessons and demonstrating the LoCAL mechanism's effectiveness at a larger scale. Bangladesh, Benin and Cambodia are currently in Phase II.

When full national scale-up has been achieved in its current 12 countries, LoCAL will reach over 350 million people.



LoCAL-funded bridge construction in Battambang Province, Cambodia; photo: Cédric Jancloes  
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# HOW DO LoCAL GRANTS WORK?

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 minimum conditions, performance criteria and a menu of eligible investments; putting them in place typically involves:

- Assessing **climate risks, vulnerabilities** and **adaptation options** and needs and capacities.
- Local governments **integrating adaptation** in a participatory and gender-sensitive manner in their local development planning and budgeting processes, costing and selecting adaptation measures and developing local adaptation programmes to be financed through the PBCRG.
- Disbursing **grants** in the context of

local authorities' annual planning and budgeting cycles; implementing selected adaptation measures.

- Appraising **performance** in terms of the degree to which additional resources have been used to build resilience and promote adaptation; conducting audits as part of a regular national process.
- Undertaking **capacity-building activities** when and as appropriate according to identified needs, targeting policy, institutional and individual levels.

# WHAT IS LoCAL'S ADDED VALUE?

- LoCAL is **aligned** with country strategies and uses existing government systems, fully embracing the aid and development **effectiveness agenda for climate change**.
- LoCAL makes use of **PBCRGs**, providing incentives through financial top-ups, helping build stronger and more transparent government financial systems.

- LoCAL promotes **integration of climate change adaptation into local development planning**, supporting actual implementation of national climate change and decentralization strategies.
- LoCAL ensures the **voices of the communities and the poorest and most vulnerable** – including women and youth — are captured in local

development plans and investments, so climate finance reaches those who need it most.

- 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.

Bhutan has been with LoCAL since its inception and is gearing up for national roll-out; photo: Cédric Jancloes © UNCDF/LoCAL

## RECENT LoCAL ACHIEVEMENTS

Since 2011, LoCAL has provided **USD 8.3 million** in grants to **64 local governments**, reaching a population of over **5 million** across **12 countries** in Asia (Bangladesh, Bhutan, Cambodia, Lao PDR and Nepal), the Pacific (Tuvalu) and Africa (Benin, Ghana, Mali, Mozambique, Niger and Tanzania). Highlights of recent country achievements with LoCAL support include the following:

- As of the end of 2016, LoCAL had helped participating local governments increase their resilience to climate shocks by implementing over **430 investments** ranging from the construction of climate-proof irrigation canals and rehabilitated rural roads to capacity-building interventions designed to encourage behavioural changes such as climate-adaptive agricultural practices.
- **Bhutan** and **Cambodia**, with support from the Korean Environment Institute, have begun developing scientific climate change reports; **Benin, Ghana, Mali** and **Niger** have benefitted from a thorough review of their respective climate change risk, and vulnerability and adaptation assessment landscape. These efforts paved the way for

robust, science-based local climate assessments to inform local planning and investment.

- **Benin, Cambodia, Mali** and **Tanzania** have selected national institutions

involved in LoCAL for accreditation by the Green Climate Fund (GCF), a first step towards enabling their local governments to gain access to international climate finance for adaptation measures at the local level.



LoCAL has facilitated rehabilitation of an old well in Niger's Dosso region; photo Nasser Alqatami © UNCDF/LoCAL

# WAY FORWARD FOR LoCAL

LoCAL continues to consolidate its portfolio across local governments in its participating countries. In **Bhutan**, LoCAL will be rolled out to 100 local governments as part of a national scale-up, with budget support from the European Union and through the Local Government Support Development Programme in partnership with the UNDP–UN Environment Poverty-Environment Initiative (PEI). In **Cambodia**, where LoCAL was initiated in 2012 with a grant from the Cambodia Climate Change Alliance, it is now working with 61 communes in 8 districts, with support from the Swedish

International Development Agency. In **Bangladesh**, LoCAL will be embedded in a new programme – the Local Government Initiative on Climate Change – that will provide 75 local governments with access to climate-resilient grants. In **Benin**, in line with the modalities of the Fund for the Development of Communes, LoCAL is being expanded to nine communes in the country's northern region, with co-financing from the National Environment and Climate Fund.

**Ghana, Lao PDR, Mali, Mozambique, Nepal** and **Niger** will consolidate their

work through a second or third cycle of investments in their pilot phase while preparing and mobilizing resources for Phase II; meanwhile, **Tanzania** and **Tuvalu** will receive and implement their first PBCRGs. Designs in **Lesotho** and **Uganda** will be finalized, enabling another 1.2 million poor people to benefit from the LoCAL climate finance and the adaptation investments it facilitates. More LDCs have expressed interest in and are preparing to join LoCAL, as it offers a proven and scalable mechanism to channel climate finance effectively and transparently to the people most in need.



LoCAL scoping mission in Nukufetau Kaupule, Tuvalu; photo: Jesper Steffensen © UNCDF/LoCAL





Village beneficiary of LoCAL efforts in Benin; photo: Nasser Alqatami © UNCDF/LoCAL

## UNCDF: UNLOCKING PUBLIC AND PRIVATE FINANCE FOR THE POOR

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: **financial inclusion** that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how **localized investments** – through fiscal decentralization, innovative municipal finance, and structured project finance – can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.



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