

## Policy pointers

**International climate and development funders** should significantly increase the finance they commit to locally led climate action, in line with the Least Developed Countries' 70% commitment by 2030.

**They must also commit** to good climate and climate-resilient development finance principles, including those championed by the Global Commission on Adaptation's Locally-Led Action Track.

**They should help** establish independent, fully sustainable local public, private and civil society financing institutions that support local people's priorities.

**Finally, they must adopt** business unusual by delivering long-term, patient and predictable finance that is willing to take risks and build institutional legacies.

## Calling for business unusual: why local leadership matters

While most international and national development interventions aim to benefit local people, they remain overwhelmingly top-down and exclude the perspectives of poor women and men. When funders do devolve resources, power over the purse strings often remains with international or national actors. Rather than building capabilities and giving people the agency to adapt to climate change, conserve their ecosystems and develop sustainably, this business-as-usual approach often entrenches the systemic issues that make people vulnerable. International climate and development funders have the power to help local people deliver more effective solutions to climate change, the destruction of nature and poverty. But to do so, they must cede resources, rights and power to local actors, who are closer and more accountable to local people.

The world faces a triple and interconnected crisis: a climate emergency, rapid biodiversity destruction and entrenched poverty. The last year has seen devastating storms in South Asia, unprecedented locust swarms across East Africa, wildfires in Australia and the COVID-19 pandemic. Rooted in a paradigm of economic growth that exploits nature, causes global heating and perpetuates social inequality, the impacts of this crisis disproportionately affect the world's poorest and most excluded.

The world is not on target to achieve the goals of the 2030 Sustainable Development Agenda, Paris Agreement or Sendai Framework. But emerging 'Green New Deal' and 'Just Transition' agendas are gaining traction in response to COVID-19. If local men and women play a leading role in planning and delivering responses, these agendas can reshape our economies to tackle this triple crisis in innovative, effective and equitable ways.

Yet, less than 10% of global climate fund finance is dedicated to local action<sup>1</sup> and less than 2.5% of humanitarian aid goes to local actors.<sup>2</sup> The LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) and the Global Commission on Adaptation's Locally-Led Action Track (LLAT) are leading the way to increased funding for and recognition of locally led adaptation.<sup>3,4</sup> International funders must follow their lead.

### Locally led action within a 'whole-of-society' response

Climate change, nature's destruction and poverty are complex problems threatening our societies, economies and ecosystems. Effective solutions require a whole-of-society response. This involves a complex, collaborative system of public, private and civil society actors and institutions with varying interests, capacities, vulnerabilities and

contributions working together to produce innovative, collaborative and integrated responses across governance levels, sectors of society and economies.

Most agree that whole-of-society benefits should accrue at the local level. But historical injustices and evidence show us that providing local benefits is not enough. Local people and institutions must be able to lead and have authority over decisions about their adaptation, conservation and development (Box 1).

## *Local and indigenous people bring unique generational knowledge to support the ecosystems they depend on*

Even where locally led action may not be the most appropriate option, without the active involvement and perspective of local actors, interventions tend to be less effective and are more likely to do harm.<sup>2</sup> To have any chance of successful uptake and practical use, even climate information services need to be co-produced with local actors.<sup>5</sup>

### Just and effective solutions

**Distributive injustice** means that proportionally the poorest spend the most on addressing this crisis.<sup>6</sup> For example, in Bangladesh, households spend almost US\$2 billion a year on climate change adaptation and disaster recovery — more than double government spending and 12 times international spending.<sup>7</sup> **Procedural injustice** prevents people from participating in decisions

about their own development and from accessing or controlling resources and services.<sup>8</sup> Localising climate, nature and poverty solutions can help address such injustices.

Being closer to those most affected and who have less voice, localised solutions will be both more just and more effective, increasing the resilience and prosperity of local economies and ecosystems. This is based on the good climate finance **subsidiarity principle**, by which the most effective solutions are decided on and applied at the closest possible governance level to those most affected.

Contextual factors — such as the problem being addressed, the type of solution being considered and the nature of the governance system — will determine the most appropriate level of subsidiarity. Collaboration, support and knowledge exchange between different governance levels are also essential for an effective, whole-of-society response. Below, we outline the range of benefits local action can deliver when supported effectively.

### Context-specific and integrated solutions

Despite being global phenomena, the impacts of climate change, nature's destruction and poverty manifest primarily at local level and are experienced differently according to biophysical, social and economic variables. Given the right resources, agency, information, tools and capabilities, local people can use their knowledge of local conditions to prioritise and design solutions that distant donors or corporate headquarters could never predict. So, although this triple crisis and the interventions for tackling it stretch across scales and borders, effective solutions must be grounded in local realities.

No two communities exhibit the same climate exposure, vulnerability or adaptive capacity. Even within communities, experiences differ depending on gender, age, ethnicity, religion and disability. Climatic events vary over small geographical areas and future climate models cannot accurately predict the effects of climate events at regional and national — let alone local — levels. Local and indigenous people bring unique generational knowledge to support the ecosystems they depend on.<sup>8,9</sup> In the face of socioeconomic and environmental uncertainty, their nuanced understanding of potential low-regret investments — and what to avoid — helps produce more robust solutions that are equitable for the range of intra-community needs.

#### Box 1. What is 'local'?

**Local-level benefits** accrue below the lowest administrative structure — in communities, households and individuals that share administrative units, shocks and stresses.

**Locally led action** takes place when people and communities have individual and collective agency over their own development and work with local actors to prioritise and implement solutions.

**Local actors** are institutions composed of or directly accountable to local people that are better placed to give them agency over their development. They can be:

- **Public:** subnational authorities responsible for meeting local needs, particularly through public services, infrastructure and enforcing regulatory frameworks and policy
- **Private:** formal and informal enterprises — from smallholders and households to companies, cooperatives and financial institutions — that form a country's economic backbone, driving economic growth, generating employment and alleviating poverty
- **Civil society:** community-based organisations and social movements that reach and represent excluded people; invest in locally led, people-centred solutions; and sometimes engage in political and social issues to shift public opinion and public and private action.

The context-specific nature of the drivers of poverty, vulnerability and nature's destruction makes it important to plan and design solutions from the bottom up. And because local people seldom address these issues in siloes, with access to the appropriate finance, information and tools, their solutions are more integrated and relevant.<sup>10</sup>

Although local actors may initially prioritise near-term challenges, with flexible, patient and predictable resources, they will develop strategic, long-term visions for transformational change. COVID-19 lays bare that resilience to shocks and stresses lies in addressing development deficits while preparing for shocks at all levels. Investing in local services, infrastructure and institutions will increase the opportunity for transformational outcomes.

### Accountable and democratic solutions

Devolving power and resources to local people and enabling them to hold others accountable will lead to better responses. Given their immediate and significant vulnerabilities, communities are highly motivated to invest in and oversee good outcomes that protect and improve their own wellbeing. This pragmatic imperative makes them best placed to develop creative solutions.

Adequately resourced locally led action can also strengthen the state-citizen contract, improving the democratic system and accountability of investments, especially for previously excluded people. Being closer to communities and more familiar with local contexts, local actors are better placed to facilitate democratic participation and provide technical advice. Developing solutions from the bottom up — mediated by effective local organisations — can make them more equitable and reduce local conflict by incentivising communities to collaborate in designing creative resource management approaches.

This requires an explicit focus on resolving competing priorities to ensure solutions respond to vulnerabilities that vary with gender, age, race, disability and religion.<sup>11</sup> Avoiding 'elite capture' — where richer and more powerful people dominate local councils or local organisations, often denying women and younger people an equitable voice — is also vital. Introducing checks and balances can enable excluded interest groups to challenge such situations and strengthen local institutions' inclusiveness. Devolving agency and resources to the local level can also

incentivise central government to tackle the influence of central elites, enabling fair rules and regulations for equitable delivery.<sup>11</sup>

Many question whether local actors can transparently and accountably manage large sums of money. Investing in open accountability can help build trust between funders and local actors and ensure localised finance is well spent.<sup>12</sup> Holding each other to account can help local actors quickly identify and address corruption or elite capture. Indeed, social pressure, local monitoring and community leadership can often bring about change more quickly than a formal, centrally driven audit process.<sup>9</sup>

### Agile and diverse solutions

Given the complexity and wide-reaching impacts of this triple crisis, development programming must tackle uncertainties through an agile, flexible and continuous learning process that integrates new knowledge as it arises.<sup>13</sup> Decentralised governance can accelerate social learning in ways that centralised governance cannot. If local actors, individuals and communities accrue experiences and learning around the effectiveness of development investments, they can make adjustments and tackle challenges as contexts change.

Nurturing local diversity is crucial for building socioeconomic systems' resilience to uncertain risks, especially during conflict or disaster recovery where government services are weak and vulnerable.<sup>9</sup> Traditional top-down solutions tend to concentrate knowledge in a handful of actors, leading to one-size-fits-all solutions.<sup>11</sup> Locally led action, on the other hand, can increase diversity among knowledge and power holders, creating more diverse solutions. If some actions fall behind or fail, others can continue uninterrupted.

### Cost-effective solutions

Global climate funds provide only US\$1 in every US\$10 invested. Households and communities are the biggest investors in adaptation,<sup>1</sup> and international and national funders must be careful to complement, not complicate, these vast local investments.

Developing countries need basic infrastructure to address the development deficit. As well as having greater pragmatic imperative to spend well, local actors and communities can access cheaper materials and labour. Transferring funds to them directly means they can build infrastructure that meets their needs at lower cost and greater speed than traditional top-down routes.<sup>9</sup> Locally led solutions can

also leverage significant financial investment. For example, delivering finance to the small forest landscape enterprises servicing the 1.5 billion people living in forests can create around US\$1.3 trillion a year, stimulating local economies while also maintaining natural biodiversity and reducing greenhouse gas emissions.<sup>14</sup> When given more control over resources, communities will often invest their own time and money too.

Large funders argue that overseeing multiple scattered, local-level projects has high transaction costs. But this can be solved by setting up well governed aggregating delivery mechanisms. Many such local mechanisms already exist, reducing transaction costs by supporting locally led action at scale.<sup>15</sup> Historical marginalisation from specialised education, training and learning-by-doing has created gaps in local actors' capacity and, as a result, international organisations often 'out-compete' national and local partners in meeting funder requirements. Investing in locally led action can help close these gaps.

## Time to give up power

Despite the clear benefits of locally led action, global climate funds rarely invest in local people's priorities and little international humanitarian aid goes to local organisations.<sup>1,2</sup> This reluctance to cede power to local counterparts presents a major barrier to overcome.<sup>2</sup>

Shifting power to the local level will create winners and losers, and if responsibilities are unclear, decentralisation is incomplete and authorities remain upwardly accountable, it will bring new risks. The policy pointers in this briefing aim to help international climate and development funders effectively support local leadership against the triple threat of climate change, biodiversity destruction and poverty.

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## What works in delivering local climate action?

This briefing is part of our 'Money where it matters' series on what works in delivering local climate action. The series presents the thinking from a range of actors' experiences — gleaned from evaluations, reports, interviews and stakeholder meetings. Read more at: [www.iied.org/mobilising-money-where-it-matters](http://www.iied.org/mobilising-money-where-it-matters)

## Notes

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## Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges. We support some of the world's most vulnerable people to strengthen their voice in decision making.

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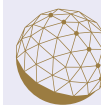
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