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The good climate finance guide for investing in locally led adaptation

Authors

Dave Steinbach, Associate, IIED

Dr. Aditya V. Bahadur, Principal Researcher, IIED

Clare Shakya, Director, Climate Change Group, IIED

May Thazin Aung, Researcher, IIED

Christa Joy Burton, Grants Programme Coordinate and Enhanced Direct Access Coordinator, Department of Environment, Antigua and Barbuda

Clara Gallagher, Researcher, IIED

Samson Mbewe, Technical Programme Manager, SouthSouthNorth

Sam Greene, Senior Researcher, IIED

Dr. Bimal Raj Regmi, Team Leader — Policy and Institutions Facility, Oxford Policy Management

Ainka Granderson, Senior Technical Officer, Caribbean Natural Resources Institute

Candice Ramkissoon, Technical Officer, Caribbean Natural Resources Institute

William Kostka, Executive Director, Micronesia Conservation Trust

Lisa Andon, Deputy Executive Director, Micronesia Conservation Trust

Tamara Greenstone-Alefaio, Conservation Program Manager, Micronesia Conservation Trust

Glenn Dolcemascolo, Director of Programs, Huairou Commission

Suranjana Gupta, Special Advisory – Community Resilience, Huairou Commission

Anwesha Tewary, Learning and Knowledge Management Specialist, Huairou Commission

Mariana Lopez, Program Director, Pawanka Fund

Jonathan Barnes, Researcher, IIED

Afsara Binte Mirza, Research Officer, International Centre for Climate Change and Development

Md Bodrud-Doza, Operations and Business Development Manager, International Centre for Climate Change and Development

Fatema Akhter, Research Officer, International Centre for Climate Change and Development

Savio Rousseau Rozario, Programme Coordinator, International Centre for Climate Change and Development

Carolina Reyes, Head of Project Department, Fundecooperación para el Desarrollo Sostenible

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Foreword

Climate change and the loss of nature are two of the most pressing and urgent issues of our time. Their impact is deeply unequal, falling disproportionally on the world's poorest and most marginalised groups. These include women, children, Indigenous Peoples and local communities, who often rely directly on natural resources for their survival. It has never been more critical for these local actors to be central to decision making and efforts to combat these crises.

Recognising the importance of local actors and their extensive local, intergenerational, indigenous, traditional and cultural knowledge, the Dutch and Swedish governments endorsed the eight Principles for Locally Led Adaptation (LLA) at COP26 in 2021. These key principles highlight the need to shift power and resources into the hands of local actors, including local governments, and emphasise the importance of putting their priorities and expertise at the heart of any solution.

Ensuring that climate finance reaches the local level where it is most needed is a priority in the Swedish Development Cooperation Agency's (Sida) support to climate adaptation. Over the years the core content of the LLA Principles has been a fundamental approach and Sida remains committed to facilitate inclusive locally led adaptation to reduce vulnerability among people living in poverty and to strengthen resilience. Sida supports a wide range of locally led adaptation initiatives. For example, Sida supports LoCAL, a global initiative assisting local governments in mainstreaming climate change adaptation into decision making, planning and resource allocation. In Kenya, Sida supports the Financing Locally-Led Climate Action (FLLoCA) initiative, the first national scale model of devolved climate finance. Furthermore, ahead of Stockholm+50 Sida together with IIED commissioned a report with recommendations on how to drive change for people, nature and climate through locally led action.

The Netherlands has undertaken several steps for the promotion of local adaptation action. Last year, for instance, the Netherlands hosted the first ever leaders' summit dedicated to climate adaptation, which would lay the groundwork for the LLA Principles. Furthermore, the Netherlands is a founding member of the Champions Group on Adaptation Finance, which aims to increase the level, quality and accessibility of adaptation finance. Recently, the Reversing the Flow project was launched, dedicated to strengthening resilience in landscapes and catchment areas. It will provide lessons on enhancing local decision making, management and accountability. A final practical example is the Netherlands' support for the Climate and Development Knowledge Network (CDKN), a fully southern-led platform supporting locally owned adaptation practices by combining knowledge, research and advisory services to strengthen the resilience of those most vulnerable to climate change.

To achieve a climate-resilient world by 2030, locally led adaptation needs greater support from governments and organisations worldwide. Recognising the principles is a first step towards enhancing implementation at local level. We would applaud greater engagement from more countries and institutions that wish to work with us to foster heightened political ambition on adaptation, thereby turning high-level commitments into targeted, tangible and practical action. This paper presents examples of LLA in practice and encourages our peers and partners to use these as guides for promoting LLA and achieving a climate-resilient world by 2030.

Cecilia Scharp
Assistant Director General
Swedish International Development Cooperation Agency (Sida)

Kitty van der Heijden
Director-General for International Cooperation
Ministry of Foreign Affairs, The Netherlands

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Acronyms

CANARI	Caribbean Natural Resources Institute
CBNRM	community-based natural resource management
CBO	community-based organisation
CCCF	County Climate Change Fund
CDF	city development federations
CDO	community development organisations
CEPF	Critical Ecosystem Partnership Fund
COP26	United Nations 26th Climate Change Conference
CRF	Community Resilience Fund
CSO	civil society organisations
DCF	devolved climate finance
DoE	Department of Environment
DRR	disaster risk reduction
EDA	enhanced direct access
EIF	Environmental Investment Fund
EMPOWER	Engaging Multi-sectoral Partners for Creating Opportunities, Improving Wellbeing and Realising Rights of the Urban Poor
FLLoCA	Financing Locally-Led Climate Action
GCF	Green Climate Fund
GIZ	Germany's Development Cooperation
ICRG	Infrastructure for Climate Resilient Growth
LAPA	Local Adaptation Plan of Action
LEAP	local early action planning
LLA	locally led adaptation
M&E	monitoring and evaluation
MCT	Micronesia Conservation Trust
MEL	monitoring, evaluation and learning
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MSME	micro, small and medium-sized enterprise
NGO	nongovernmental organisations
OECS	Organisation of Eastern Caribbean States
RIT	regional implementing team
SANBI	South African National Biodiversity Institute
SDI	Shack Dwellers International
SGF	Small Grants Facility
Sida	Swedish Development Cooperation Agency
SIRF	Sustainable Island Resources Framework
SSN	SouthSouthNorth
UPFI	Urban Poor Fund International

Part 1

Introduction and overview

Introduction

In January 2021, 31 organisations came together at the Climate Adaptation Summit to formally endorse the Principles for Locally Led Adaptation (LLA Principles). This moment was the culmination of a decades-long journey aimed at ensuring that the people who are on the frontline of climate risk have the skills, agency and resources they need to lead adaptation. Since then, the movement to promote locally led adaptation (LLA) has gone from strength to strength and at the time of publication, 80 entities — including governments, funders, civil society actors and networks engaged in climate and development — have formally endorsed and committed to operationalising the LLA Principles through their work.

There is increasing evidence that LLA ensures action to manage risk and build resilience is relevant to the local context, making it more effective (Coger et al. 2022). Risk is determined not only by climate change impacts but also by the local context and people's perceptions and cultural outlook, which determine the approaches they will take to deal with risk. Ignoring local context and local perspectives can lead to maladaptation; this is when an adaptation strategy aimed at a group of people increases, rather than decreases, their vulnerability to climate change (Schipper 2020). With the right resources, agency, information, tools and capabilities, local people and marginalised communities can use their unique knowledge of local conditions to prioritise and design impactful adaptation and tackle the underlying drivers of vulnerability. LLA enhances accountability and engages the most vulnerable voices in decision making (Soanes et al. 2021). By empowering local people to make decisions in highly dynamic operational environments, devolving finance to the most appropriate level — a core tenet of LLA — enables more agile management of complex risk management.

Bringing a robust LLA vision to life is not without technical and political challenges. It is not an easy process, and there will be mistakes. But by identifying examples of good practice (see Part 2) we can learn from each other and together ensure better quality adaptation finance and more effective adaptation action become mainstream. Shifting incentives, norms and behaviours to make this happen will require patient, consistent and politically astute support.

Box 1. Defining terms: what we mean by local and integrated subsidiarity

We consider **'local'** actors to encompass the people and communities on the front line of climate change, including the formal and informal institutions below national level that are composed of or directly accountable to local people. We recognise that in certain very specific contexts (such as very small island states) local actors can include regional or national institutions.

LLA is therefore about "local people having individual and collective agency over defining, prioritising, designing, monitoring and evaluating adaptation actions, and working with higher levels to implement and deliver adaptation solutions" (Soanes et al. 2020). As such, LLA is not simply about delivering adaptation benefits at the local level by soliciting the 'participation' of local communities in incremental decision making. This is because often this merely involves presenting local people with options for action that other people have shaped through a process that is largely beyond local people's control.

Core to LLA is an emphasis on embedding the concept of **'integrated subsidiarity'** across governance structures, whereby decisions and actions take place at the lowest most effective tier of governance. Recognising that it is not possible to resolve all adaptation challenges at the local level, integrated subsidiarity means that effective solutions for overcoming risk are implemented across all levels, through vertically connected governance systems with co-governance arrangements giving far greater agency to local actors where possible. Integrated subsidiarity aims to enable multiple perspectives for collaborative decision making to resolve trade-offs and combine valuable local, traditional and cultural knowledge with scientific and technical knowledge.

The LLA Principles

The agenda outlined above is based on the eight LLA Principles summarised here. Developed after wide consultation with a diverse group of stakeholders over two years, these act as the analytical framework for exploring the LLA delivery mechanisms in Part 2.

Principle 1. Devolving decision making to the lowest appropriate level: Giving local institutions and communities more direct access to finance and power to decide how to define, prioritise, design and implement adaptation actions, monitor progress and evaluate success.

Principle 2. Addressing structural inequalities faced by women, youth, children, disabled and displaced people, Indigenous Peoples and marginalised ethnic groups: Integrating gender-based, economic and political inequalities that are root causes of vulnerability into the core of adaptation action and encouraging vulnerable and marginalised individuals to meaningfully participate in and lead adaptation decisions.

Principle 3. Providing patient and predictable funding that can be accessed more easily: Supporting long-term development of local governance processes, capacity and institutions through simpler access modalities and longer-term (seven years or more), more predictable funding horizons, to ensure that communities can effectively implement adaptation actions.

Principle 4. Investing in local capabilities to leave an institutional legacy: Improving local institutions' capabilities to ensure they can understand climate risks and uncertainties, generate solutions and facilitate and manage adaptation initiatives over the long term without depending on project-based donor funding.

Principle 5. Building a robust understanding of climate risk and uncertainty: Informing adaptation decisions through a combination of local, Indigenous and scientific knowledge to enable resilience under a range of future climate scenarios.

Principle 6. Flexible programming and learning: Enabling adaptive management to address the inherent uncertainty in adaptation, especially through robust monitoring and learning systems, flexible finance and flexible programming.

Principle 7. Ensuring meaningful transparency and accountability: Making programme financing, design and delivery more transparent and downwardly accountable to local stakeholders.

Principle 8. Collaborative action and investment: Enabling integrated subsidiarity by connecting governance layers and incentivising collaboration across sectors, initiatives and actors to support more coherent responses and ensure the most appropriate actors lead and the right type of finance is used for the right areas of action to avoid duplication and enhance efficiencies.

Further reading

For a deeper delve into the LLA Principles, see Soanes M, Bahadur, AV, Shakya, C, Smith, B, Patel, S, Rumbaitis del Rio, C, Coger, T, Dinshaw, A, Patel, S, Huq, S, Musa, M, Rahman, MF, Gupta, S, Dolcemascolo, G and Mann, T (2021) Principles for locally led adaptation. IIED issue paper. https://pubs.iied.org/10211iied

Purpose of this guide

The purpose of this guide is to showcase different ways that LLA has been financed and implemented in different contexts in Africa, Asia, Latin America and the Pacific. While there is wide buy-in to the LLA Principles as a framework for guiding the design of adaptation investments, the LLA movement has been collating and analysing examples of the principles in action, to inspire and encourage others to improve their own practice and to join the LLA movement. Part 2 provides a rich set of practical initiatives that bring the LLA vision to life in diverse contexts. This guide demonstrates that there is no one-size-fits all approach to operationalising LLA. Rather, it illustrates the many ways to operationalise LLA and the many delivery mechanisms available for use in different contexts (see Box 2). As such, this guide provides insights for funders, governments and implementing entities of LLA on how they can design effective adaptation interventions by highlighting 13 investment-ready delivery mechanisms.

Box 2. Defining terms: what we mean by delivery mechanisms and business unusual

We use the term **'delivery mechanism'** to refer to the LLA initiatives showcased in this guide. We deliberately avoid using 'project', as the mechanisms described here are institutional approaches with governance, financial, legal and technical processes that aim to support adaptation to current and future climate impacts.

Delivery mechanism refers to the means by which finance gets from its original source to the local level, where it is spent on an adaptation initiative, in the form of technical support, investment in governance and resources for adaptation actions. This contrasts to arrangements set up purely for delivering a project. We have collected the experiences outlined in Part 2 directly from the people working on them. So, to recognise their rich experience and insights, we also avoid the term 'case studies', which suggests external observation for extractive analysis.

While none of the 13 delivery mechanisms examined in this guide encapsulate all eight principles perfectly, they offer insights into how institutions can use the LLA Principles to invest in context-relevant adaptation. The experiences summarised in Part 2 demonstrate how applying the principles in different contexts and with different goals can help policymakers, implementers and funders overcome challenges and make LLA a reality.

The business-as-usual approach to climate finance has centred decision-making authority on adaptation investments at the national level, often with little input from local actors. In this guide, we focus on lessons learnt on **business unusual** — that is, how they depart from these conventional approaches, which are not working.

Methodology

To develop this good practice guide, we took a bottom-up approach, starting with the collaborative development of the LLA Principles through intensive engagement with a wide range of climate and development actors. We then set out the principles in a working paper (Soanes et al. 2021), which we shared with many organisations working to fund and implement initiatives to manage climate risk, enhance adaptation and build resilience in diverse geographies.

To expand and deepen the conversation around applying the LLA Principles, in September and October 2021 we held six regional dialogues across Africa, Asia-Pacific, and Latin America and the Caribbean. Building on the growing momentum of LLA, the dialogues brought together government representatives, civil society and private sector actors to help identify new opportunities, learning and challenges for replicating and scaling up LLA (Carthy, Gallagher and Soanes, 2022). Presenting 11 delivery mechanisms from Africa, Asia-Pacific, and Latin America and the Caribbean, contributors to the dialogues showcased inspiring examples of LLA and collectively showed climate funders, recipients and implementers that there are many ways to facilitate LLA across different contexts.

We asked LLA partners to furnish further examples of good practice that they felt reflected the tenets of LLA, urging them to demonstrate how these good practices exemplified **business unusual** (see Box 1). After reviewing these contributions to ensure a balance of geographies, funding mechanisms, principles and scale (of both institutions and activities), we selected the 13 LLA delivery mechanisms from around the globe that showcase LLA in action to include in Part 2. To generate the crosscutting analysis and lessons, we then undertook additional research using primary and secondary data, collected through interviews with the organisations involved in these 13 initiatives. In Part 3, we set out an analysis of the crosscutting insights that emerged from the delivery mechanisms studied in Part 2, and outline useful lessons for governments, funders and implementing entities.

Analysing localisation and adaptation outcomes

The main purpose of this guide is to showcase real-world examples of LLA in action. In doing so, it aims to provide concrete analysis on what funders and implementing entities can learn in terms of both localisation and adaptation outcomes.

First, we analyse how each example of an LLA delivery mechanism aligns with the eight LLA Principles. At the beginning of each chapter in Part 2, we highlight which of the eight principles that delivery mechanism best exemplifies, flagged for the reader's attention using the eight LLA Principle icons. Each chapter also explains the delivery mechanism's alignment with each LLA Principle. Some are particularly well aligned with two or three LLA Principles, while others showcase good progress towards six or seven.

Second, we present analysis of how each mechanism works to deliver adaptation outcomes. There are many frameworks for analysing adaptation processes and outcomes. In this guide, we use the typology established by Shakya, Patel and Aung (2022), which explains that transformational adaptation initiatives need to exhibit at least two of the following characteristics:

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Part 2 presents a graphic and analysis of how each delivery mechanism performs against these four criteria, while the crosscutting analysis in Part 3 showcases key trends on localisation and adaptation outcomes across all 13 delivery mechanisms.

Overview of LLA delivery mechanisms

The purpose of this guide is to provide real-world examples of how LLA has been financed around the globe. Before diving into these examples, this chapter provides an overview of the different types of LLA delivery mechanisms.

For this guide, we have developed a categorisation of the different financial mechanisms used to deliver LLA. Building on the work of Soanes (2020), we include delivery mechanisms that have emerged as LLA implementation expands into new countries and contexts. These include delivery mechanisms that are being used by governments, civil society organisations and the private sector. LLA delivery mechanisms target different needs depending on geography, governance context and recipients of adaptation finance. Despite this diversity, the list of financial delivery mechanisms for LLA included here is not exhaustive. As locally led climate action gets greater attention, we expect more innovation and experimentation on how different actors can support local entities with the finance and technical expertise they require to implement their adaptation priorities.

Government delivery mechanisms

We illustrate three types of government delivery mechanisms: the national funds that access climate finance through enhanced direct access (EDA), devolved climate finance (DCF), and shock-responsive and adaptive social protection.

National funds delivering devolved grant and loan programmes using EDA: Several countries have established national climate funds as independent institutions operating under the oversight of a government ministry. Government-led funds have played increasingly important roles within the climate finance architecture, providing a platform to develop a whole-of-government climate strategy and pool funding from different sources to help deliver national climate priorities. These national funds — including Antigua and Barbuda's Sustainable Island Resources Framework (SIRF) Fund and Namibia's Environmental Investment Fund (EIF) in Chapters 1 and 2 — access finance from international sources, such as global climate funds, bilateral providers and multilateral development banks, for climate programmes. In themselves, national funds are not an example of an LLA delivery mechanism. They can, for example, just support sectoral ministries at the national level or issue calls for projects on already specified solutions, with no requirement for input by local actors. If these funds are applying for and then delivering projects, they are operating business as usual. But some are investing in LLA-aligned delivery mechanisms that devolve the authority to decide how to invest funds to local partners. To be able to do this with funding from the global climate funds, they need accreditation that allows flexible on-granting, known as enhanced direct access (see Box 3). EDA enables national funds to access Green Climate Fund (GCF) and Adaptation Fund finance to capitalise devolved grant programmes or loan facilities. These then on-grant or on-lend to local civil society organisations (CSOs), government bodies, natural resource management groups, and so on, who design projects themselves and apply for funding to implement their locally defined adaptation initiatives. This new financing modality counters traditional climate programming, which is designed at national and international levels, instead devolving decision making on adaptation investments from national to subnational levels in line with the first LLA Principle of subsidiarity.

Devolved climate finance: LLA is also being delivered through devolution and subnational planning, whereby national governments allocate a regular climate budget to locally elected governments or subnational government agencies. These give local communities technical advice to identify their priority investments and then procure and construct the investments, with communities keeping close oversight. DCF is an important mechanism for LLA, as it integrates local adaptation action within formal government systems and policies without creating parallel delivery structures that exclude local governments and decision makers. They could be more sustainable sources of revenue for LLA, since national governments already allocate tax revenue and funders' finance via the national treasury to subnational governments as part of the annual budgeting process. The DCF delivery mechanisms highlighted in this report include subnational climate funds such as Kenya's County Climate Change Funds in Chapter 4, and Nepal's Local Adaptation Plans of Action (LAPAs) in Chapter 5.

Box 3. Defining terms: what is EDA?

Direct access is the prevailing way that national governments or agencies access finance from international climate funds, such as the GCF or Adaptation Fund. A government ministry, agency or fund designs specific projects at the national level and submits an application to an international fund to finance the project, usually over a three- to five-year period. This business-as-usual approach to climate finance has centred decision-making authority on adaptation investments at the national level, often with little input from local actors.

EDA is a new type of financing modality employed by the GCF and Adaptation Fund, which aims to provide more localisation in climate financing decisions, devolving some (but not all) decision making to local actors, such as subnational governments, CSOs, Indigenous Peoples' organisations, enterprises and community groups.

How it works

The GCF and Adaptation Fund require a national actor (a ministry, agency or special fund) to gain a special type of accreditation (as a national entity) that allows them to award grants, award loans or blend finance and provide it to local actors. Once accredited, these national organisations develop climate adaptation programmes, which they submit as a concept note for funding approval.

National entities develop EDA programmes around overarching objectives (the GCF's programmatic areas) without specifying in advance which investments (often referred to as subprojects) they will use the funds for. Within the concept note, both the GCF and Adaptation Fund require the national entity to develop a handbook on how they will manage and disburse the funds to subnational actors. This includes criteria for making allocation decisions, the governance of these decisions, the monitoring of funds, and so on.

The GCF or Adaptation Fund then approve the programmatic area for the intervention and the mechanism to disburse the funding, rather than individual subprojects. Programme design often takes the form of small grant or loan facilities, where subnational actors can apply for funding to make local investments based on their understanding of the local context, climate risks and adaptation needs. As well as allowing national institutions to transfer climate finance to the local level, EDA helps strengthen local institutions' climate change management capacity.

EDA is a delivery mechanism that devolves some level of adaptation decision making to the local level. Local actors can access grants and loans to fund two- to three-year subprojects that are prioritised at the local level. But the GCF or Adaptation Fund still define intervention criteria for adaptation programmes at the international level and programme design is still centralised at national level. This means that local actors may not have full flexibility to prioritise their top priority interventions to improve resilience and tackle the underlying drivers of climate vulnerability.

As a relatively new financing modality, the GCF and Adaptation Fund have only financed a handful of EDA initiatives to date. We explore several of these — including the EIF in Namibia, Micronesia Conservation Trust (MCT) in Micronesia and the Small Grants Facility (SGF) in South Africa — in Part 2 of this guide.

Shock-responsive and adaptive social protection: Social protection programmes can also meet the criteria of an LLA mechanism. Many of the largest social protection programmes in developing countries — including India's Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Chapter 6 — are public works programmes that pay daily wages to poor individuals and households in return for working on local infrastructure projects. MGNREGS, for example, provides 100 days' paid labour to any rural household demanding it, plus another 50 days in response to climate shocks. Programme participants build community assets such as water storage and irrigation infrastructure in drought-prone areas. These types of programmes are often designed and implemented by central governments, who take on the main decision-making role, and are delivered by local government agencies.

Yet, although the programme design is set centrally, there are often processes for local governments to work with their communities to prioritise the types of asset that would help them best manage climate impacts and where they should be located. Households often use the money they receive from the scheme to manage unpredictable shocks to their incomes and livelihoods, which we can consider a form of local-level climate risk management.

Civil society delivery mechanisms

We illustrate three types of civil society delivery mechanism: regional civil society funds, constituency-governed funds and microfinance.

Regional civil society funds: In some parts of the world, regional institutions are taking a lead role in supporting LLA. This is particularly evident in the Pacific and Caribbean regions, where a highly dispersed geography, small populations and a history of regional collaboration makes it practical for regional institutions to aggregate demand for climate finance and act as central hubs for accessing and disbursing finance to local-level actors (see Box 1). Two regional organisations supporting LLA are the the Caribbean Natural Resources Institute (CANARI) in the Caribbean in Chapter 7 and MCT in the Pacific in Chapter 8. CANARI implements a devolved granting programme (not accessed through EDA) that builds community organisations' capacity to manage and implement their own landscape management and ecosystem-based adaptation initiatives. MCT uses the GCF and Adaptation Fund EDA modality, financing adaptation investments at the subnational level through grants to nongovernmental organisations (NGOs), CSOs, communities, local governments, marine or forest management groups, church groups and other local actors across five states and territories in Micronesia.

Constituency-governed funds: These funds' decision-making bodies and management structures are made up of representatives from the constituencies they serve. They are often membership-based federations or networks representing a group of people with a shared landscape or shared livelihood, or tackling a socioeconomic issue. Constituency-governed organisations generally have a secretariat or lead organisation at national or international level, and individual member organisations at national and subnational levels. The secretariat establishes the fund, drawing on international bilateral funders, philanthropic funds and member contributions. The constituency-governed funds presented in this guide — Huairou Commission's Community Resilience Fund (CRF) in Chapter 9, the Pawanka Fund in Chapter 10, and Slum/Shack Dwellers International's (SDI) Urban Poor Fund International (UPFI) in Chapter 11 — disburse finance to their members through small grants programmes (CRF), or by pooling member contributions and distributing them as revolving loans for local adaptation action investments (UPFI). Recipient organisations, community groups and individuals can invest the funds in adaptation investments that are decided at local level.

Microfinance: Microfinance institutions have a long track record of supporting individuals, households and enterprises to increase savings, invest in assets and help reduce poverty. Microfinance can help people adapt to climate change by enabling them to invest in livelihoods and assets that are resilient to current and future climate shocks. It also helps households use surplus income from productive investments for subsistence expenses such as food, shelter, healthcare and protecting livestock when shocks occur. Although not a new delivery mechanism, microfinance providers are increasingly aligning their financing strategies to provide capital to households and micro, small and medium-sized enterprise (MSMEs) that invest in climate-resilient livelihoods. This is often accompanied with specific information or capacity-building support to its clients to help manage climate risks (FinDev 2022). The delivery mechanisms supporting LLA through microfinance featured in this guide are BRAC's Engaging Multi-sectoral Partners for Creating Opportunities, Improving Wellbeing and Realising Rights of the Urban Poor (EMPOWER) programme (Chapter 12), which helps new urban residents from climate-vulnerable coastal regions build climate-resilient houses through a microfinance model, and Fundecooperación's microcredit programme (Chapter 13, which helps farmers in Costa Rica invest in climate-smart agriculture, livestock and water infrastructure. Although formal financial institutions can also offer microfinance, we have classified microfinance as a civil society delivery mechanism because our examples are both CSOs providing LLA finance through microfinance.

Private sector delivery mechanisms

Private sector delivery mechanisms can include formal private finance investors, as well as aggregators and risk-sharing facilities.

Private finance investors: Investors may finance local adaptation projects, infrastructure and companies offering adaptation products and services. Formal finance can come in the form of loans, equity, green bonds and credit lines. Investors can be international or national, but to qualify as finance for LLA, investments must be designed and implemented by local actors, such as local governments or local entrepreneurs. This type of finance is generally available in large ticket sizes, making it more suitable for larger institutions with strong financial performance records, such as city governments, companies and infrastructure project developers. There are no examples of formal private investment for LLA in this guide, but given the huge need for adaptation finance at local levels, it merits further exploration.

Aggregators and risk-sharing facilities: Aggregation platforms and risk-sharing facilities are increasingly scaling up finance for individuals, enterprises and projects that are too small to quality for formal finance, but too big to qualify for microfinance. This approach works by pooling the aggregate demand for finance across a group of actors, who can use their collective bargaining power to access finance to launch projects or invest in businesses. There are no examples of aggregators in this guide, but such platforms are increasingly financing LLA investments in sectors such as renewable energy, agriculture and forestry. As with private finance investors, further exploration of these approaches may support increasing the ability to attract private investment into LLA opportunities.

Part 2

LLA delivery mechanisms

1. Sustainable Island Resources Framework (SIRF) Fund

Geography	Caribbean
Country	Antigua and Barbuda
Climate hazards	Hurricanes, floods, drought
Theme	Housing, ecosystems
Delivery mechanism	Government: national fund with EDA from the GCF
Financial instrument	Grants, loans
Finance amount	US$11.3 million
Target group	Households, local businesses, vulnerable groups, first responders, CBOs
Beneficiaries	200 people

1. Devolving decision making to the lowest appropriate level
2. Addressing structural inequalities
3. Providing patient and predictable finance that can be accessed simply
4. Investing in local institutional capacity
5. Building a robust understanding of climate risk and uncertainty
6. Flexible programming and learning
7. Ensuring meaningful transparency and accountability
8. Collaborative action and investment

Context

The SIRF Fund is a national fund set up by the government of Antigua and Barbuda that serves as the main financing mechanism for the country's environmental and climate change initiatives. A unique delivery mechanism for learning about LLA financing, it is mandated by law to finance climate and environmental action. The SIRF Fund processes funds for projects that the Department of Environment (DoE) accesses from international climate funds.

The SIRF Fund earmarks income from a range of sources, offering important finance in the country, which no longer qualifies for official development assistance having graduated to high-income status in 2022. The SIRF Fund provides funds for adaptation and mitigation across the Eastern Caribbean and finances biodiversity initiatives including protected area management, biodiversity conservation and bioprospecting. The fund is flexible and can partner with public, private, NGO and community sector actors. Currently operated by the government of Antigua and Barbuda, the fund will eventually become a self-sustaining entity and the government will step back from active involvement.

This chapter examines how the SIRF Fund finances LLA, through its role in delivering devolved grants and loans as part of a US$20 million GCF EDA programme that supports adaptation in Antigua and Barbuda, Dominica and Grenada (see Box 4). This initiative helps tackle the underlying drivers of vulnerability to tropical storms and flooding, and helps to future-proof infrastructure so that it is resilient to future climate impacts.

Box 4. The SIRF Fund in the Eastern Caribbean

Countries in the Caribbean are particularly vulnerable to the impacts of tropical storms and associated risks such as flooding and landslides. Regional climate models predict that hurricane intensity could increase by 5–15% by 2100.

The SIRF Fund is a service provider to the four-year US$20 million GCF project in three Eastern Caribbean countries to build individual, business and community resilience to these impacts. As only the second GCF EDA programme to be financed in the world, it is an innovative model for other national or regional funds and agencies looking to develop EDA mechanisms that devolve decision making for adaptation to the local level. It aims to provide direct benefits to 13,200 people across Antigua and Barbuda, Dominica and Grenada (5% of the population) and indirect benefits to 87,000 (32% of the population).

The GCF initiative will deliver US$18 million for direct investment in adaptation at national and subnational levels across three components:

1. US$9 million (US$3 million per country) in grants for public infrastructure projects that support adaptation. National governments will use these funds to implement concrete adaptation measures — this could be in line with the LLA Principle of appropriate subsidiarity.
2. US$3 million (US$1 million per country) in small adaptation grants to CSOs to spend on upgrading community and public buildings' resilience to droughts, floods and hurricanes.
3. US$6 million (US$2 million per country) in concessional microloans using a revolving loan model to deliver finance directly to vulnerable homes and businesses for upgrading household and small business buildings so make them resilient to climate shocks. This includes investments in water and sanitation infrastructure, energy, flood resilience, hurricane-resilient construction and temperature control.

Of these, component 3 (concessional microloans) most clearly meets the LLA Principle of subsidiarity. This finance will help 300 vulnerable households and 100 businesses climate-proof their buildings through investments in water and sanitation infrastructure, energy, flood resilience, hurricane-resilient construction and temperature control. The SIRF Fund is the main financial service provider for this component of the programme, providing finance directly to the local level. Local people can apply to the SIRF Fund for finance, preparing concept notes on how they will use finance to climate-proof their investments. Once their concept notes are approved, preparatory grants are issued to assist the applicants with completing their full proposals. Successful applicants receive finance for their full proposals if they meet the eligibility criteria.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

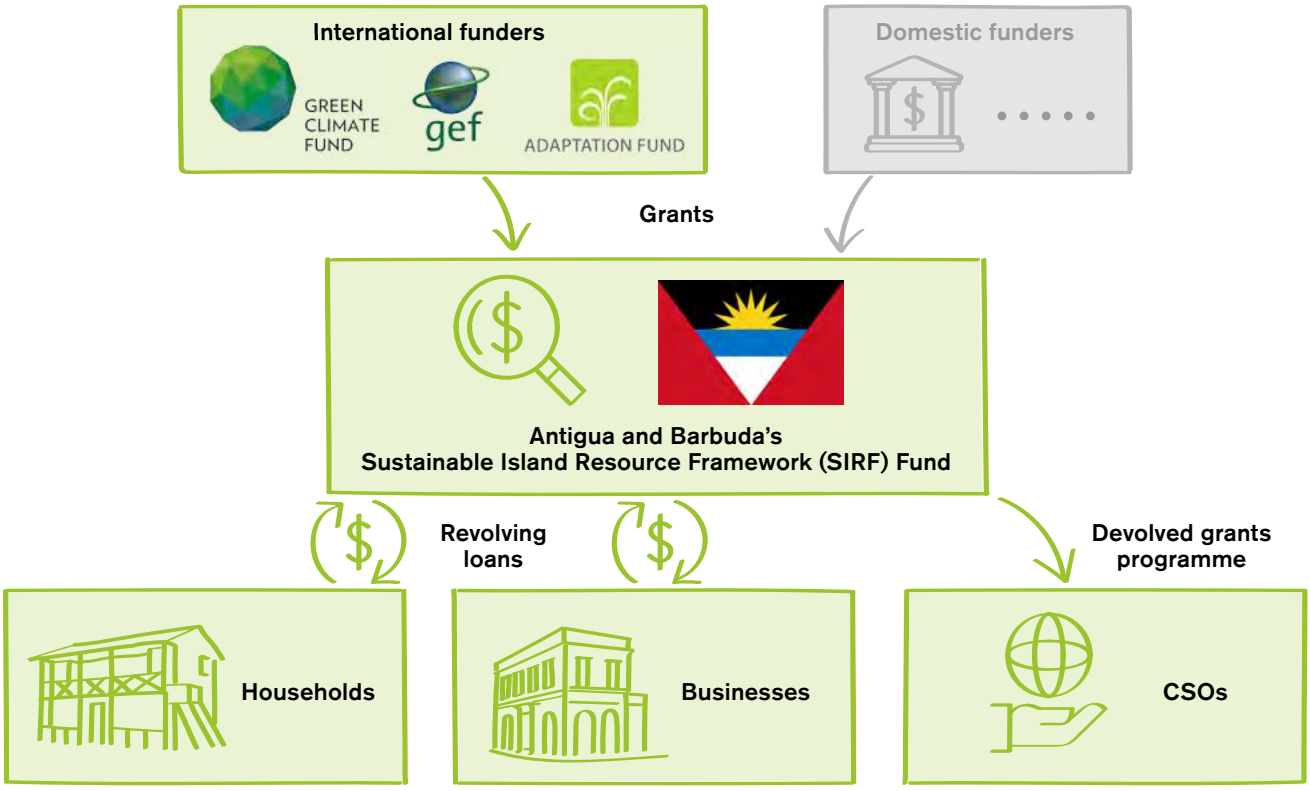
Financial delivery model

The SIRF Fund is a unique fund that can be capitalised by both domestic and international sources of finance. At the time of writing, it has been capitalised by international funders — including the the GCF, Adaptation Fund and Global Environment Facility — to implement several projects and programmes. Although The SIRF Fund aims to access further finance from international and bilateral funders, in the future it will also use domestic finance to capitalise the fund, from national park fees, pollution changes, carbon credits, taxes, and environmental levies and fees.

The fund can use a range of mechanisms to deliver finance — including grants, small and medium loans, debt-for-nature swaps and insurance (Meister Consultants Group n.d.) — though to date, it has only provided finance as grants and loans. Its ability to on-grant and on-lend from international and national sources in Antigua and Barbuda and the wider Organisation of Eastern Caribbean States (OECS) economic union is the primary means by which it supports LLA, with local actors investing the funds in their own locally defined adaptation priorities. Figure 1 provides a summary of the financial delivery mechanism for the SIRF Fund using enhanced direct access from the GCF to deliver support to households, businesses and CSOs.

To fully meet its environmental objectives, the government of Antigua and Barbuda estimates that it will require an extra US$12.2 million a year over the next ten years to fund its main environmental priorities related to protected areas, biodiversity, bioprospecting, energy resilience, flood protection, drought measures, coastal zone management, energy efficiency, renewable energy and carbon sinks.

Figure 1. SIRF Fund design



Source: Adapted from Meister Consulting Group (n.d.)

Alignment with LLA Principles

The finance delivered through the SIRF Fund seeks to address locally determined priorities, target people who have traditionally struggled to access finance, and integrate climate awareness and the robust use of climate-related data into decision making. By providing revolving loans under GCF EDA, it gives many households that would otherwise struggle to access credit direct access to finance. This empowers communities and individuals to manage their own climate risk and make necessary and desired home improvements. The NGO facility and strengthening of NGOs and CSOs builds institutional capacity to maintain interventions and proactively plan for the future. Table 1 highlights the ways in which the SIRF Fund supports LLA, showcasing its alignment with five of the eight LLA Principles.

Table 1. The SIRF Fund: alignment with the LLA Principles

LLA Principle
2. Addressing structural inequalities
SIRF Fund loans are targeted to non-bankable individuals, households and small businesses, who are considered high risk and would not typically be able to access loans from banks, cooperatives and so on. The loans have a concessionary 2% rate, a repayment period of 5–15 years and no security deposit/collateral requirements. The fund consciously targets gender inequalities, ensuring 50% of loans are awarded to female-headed households and that disabled people, elderly people and youth are included. There is specific funding for single mothers through a special lending programme with flexible repayment options.
4. Investing in local institutional capacity
The SIRF Fund builds community-level, government and private sector institutions. By law, 15% of SIRF Fund resources are channelled through NGOs and CBOs to implement adaptation action. This will have a lasting legacy in terms of strengthened climate change-focused organisations. The fund also collaborated with the United Nations Development Programme/Global Environment Facility Small Grants Programme to provide training on grant proposal writing for CBOs, allowing them to scale up their work and pursue larger-scale funding. The SIRF Fund undertakes institutional capacity assessments — including background checks — and works with CBOs to ensure they have the capacity to manage funds and comply with reporting requirements, including completing audits, filing taxes and so on, to avoid any issues around fraud.
6. Flexible programming and learning
During the COVID-19 pandemic, the SIRF Fund offered flexible loan repayment options, including repayment holidays, to help people who had lost their jobs and had reduced incomes. This flexibility, which is not part of conventional small-scale credit agreements, is crucial to enable LLA.
7. Ensuring meaningful transparency and accountability
The DoE has ensured that the SIRF Fund is widely accessible. Applicants can use simple templates and processes to access finance from the SIRF Fund, ensuring people can benefit regardless of financial literacy. During the COVID-19 pandemic, SIRF Fund staff replaced face-to-face interactions with phone calls, which helped improve accessibility and transparency. Reporting can be in written and video format, making it more accessible, and uses little technical jargon.

LLA Principle
8. Collaborative action and investment
As well as financing the implementation of multilateral environmental agreements in Antigua and Barbuda, the SIRF Fund scales finance to cover multiple OECS members, enabling countries to share approaches and access funding they could not have accessed alone. The SIRF Fund plans to partner with other OECS countries to channel finance to other countries, and ultimately help them establish national funds of their own.

Lessons learnt on business unusual

Many national governments are interested in establishing funds and finance facilities to access climate finance from international funds such as the GCF and Adaptation Fund, and disburse funds to a range of end-users in-country. SIRF is a good example of how a national fund can use EDA to channel funds to a wide variety of sectors and stakeholders. Here, we highlight two key lessons from the experience of the SIRF Fund for funders and implementing entities.

Lesson 1: Funders need to accept that investing in LLA involves inherent risk and not use that risk aversion to justify not financing important adaptation action. Embedded in the rationale for LLA is that many people and groups are vulnerable to climate impacts. In fact, many have already experienced climate impacts in a way that has further entrenched poverty and exclusion. These people, communities or organisations may not have the documents, assets or experience implementing projects they need to access adaptation finance. As such, they would often fall short of the rigorous stress test of risk analysis frameworks used by funders to approve applications. At the same time, these groups usually need adaptation support, and excluding them from projects due to systemic barriers would increase their marginalisation. Funders need to find ways to creatively get finance to local groups and discard the stringent risk mitigation strategies that perpetuate exclusion and vulnerability.

Lesson 2: Implementing entities should understand that effective and targeted communication are essential to building trust, understanding and buy-in from local stakeholders in adaptation initiatives. This learning highlights the importance of LLA Principle 7. It holds true in many contexts: transparency and trust need to be built through patient and open communication to ensure vulnerable and marginalised groups, such as single mothers, engage and are willing to participate in loan programmes, given their past experiences of being denied financing from conventional lenders. Open communication is needed to increase uptake for loan and grant applications. Publicising grants and loans on the website is not enough; walking and talking in communities to explain why and how the funds were available works better. This also extends to the application process: proposal design training is highly important to help individuals or community groups understand how they can access funds from loan or grant windows. In line with LLA Principle 4, these processes need to be simplified, with clear explanations, short and simple applications and easy-to-understand financing instruments and procedures.

Further reading

Burton, CJ and Cole, C (2021) Speaking at COP26 "Antigua and Barbuda's SIRF Fund: A Vehicle for Enabling Access to Climate Finance to Vulnerable Communities for Climate Resilience-building Locally. AOSIS Pavilion.

DoE (2018) Integrated physical adaptation and community resilience through an EDA pilot in the public, private and civil society sectors of three Eastern Caribbean small island developing states. Approved proposal submitted to the Green Climate Fund. Government of Antigua and Barbuda. www.greenclimate.fund/project/fp061#documents

DoE (2018) Project Factsheet: Integrated physical adaptation and community resilience through an EDA pilot in the public, private and civil society sectors of three Eastern Caribbean small island developing states. Ministry of Health and Environment. https://tinyurl.com/2e42jcrd

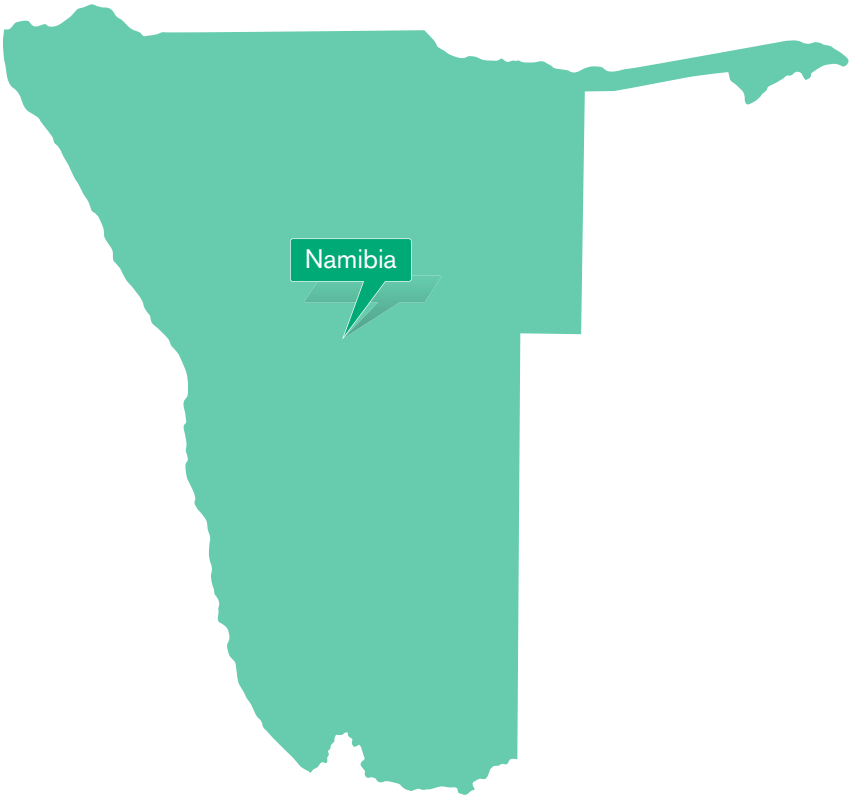
DoE. The SIRF Fund. https://environment.gov.ag/sirf

Jattansingh, S (2022) Navigating Climate Finance as a Small Island State: Lessons from Antigua and Barbuda. Commonwealth Secretariat. https://tinyurl.com/mrya9fwh

Meister Consultants Group (n.d.). Investing in Antigua & Barbuda: Capitalization rationale for the Sustainable Island Resource Framework (SIRF) Fund. https://environment.gov.ag/assets/uploads/attachments/64e97-sirf_businessconceptnote_v3.pdf

SIRF Fund (n.d.) SIRF Fund First Report to the Parliament 2019–2020. https://environment.gov.ag/assets/uploads/attachments/0124e-sirf-fund-2020-report.pdf

2. Environment Investment Fund (EIF)



Geography	Africa
Country	Namibia
Climate hazards	Drought, floods
Theme	Agriculture, infrastructure, ecosystems-based adaptation
Delivery mechanism	Government: national fund with EDA from the GCF
Financial instrument	Grants
Finance amount	US$10 million
Target group	Communal conservancies and community forests
Beneficiaries	76,500 people


1. Devolving decision making to the lowest appropriate level


2. Addressing structural inequalities

3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability


8. Collaborative action and investment

Context

The EIF is a national fund that has mobilised and deployed finance for activities that support the sustainable management of Namibia's natural resources and biodiversity since 2012. Over 200,000 people in Namibia depend on ecosystem services for their subsistence. Community-based natural resource management (CBNRM) offers an important means of strengthening their resilience to climate impacts.

CBNRM helps communities generate income from nature, and in Namibia, this is often through ecotourism. Climate change is impacting and undermining the growth of ecotourism, damaging habitats and landscapes through biodiversity loss, extreme weather events, erosion, vector-borne disease and decreased water availability. These changes limit the ability of communities and households in and around conservancies and forests to benefit from the abundant natural resources these offer.

The EIF supports community-based institutions to implement CBNRM practices by downscaling finance to the local level. The EIF was one of the first entities to access GCF finance via EDA, to implement its 'Empower to Adapt' initiative,[1] a programme designed as a devolved grant scheme that provides finance to communal conservancies to implement CBNRM practices at the local level. In Namibia, communal conservancies are self-governed, democratic CBOs, managed by committees elected by their members, that manage and benefit from the sustainable use of wildlife and other natural resources (Conservation Namibia 2022). At the end of 2019, the country had 86 registered communal conservancies and 43 community forests, and more than 180,000km^2 of land was under CBNRM, benefiting some 228,000 people and generating approximately US$10 million in returns for the communities (EIF 2022).

Under Empower to Adapt, communal conservancies invest in climate-resilient agriculture, climate-proofing infrastructure, and ecosystem-based adaptation, enabling them to promote ecotourism and contribute to environmental stewardship and protection of wildlife. It also promotes jobs and employment by encouraging private sector tourism in remote areas and works to address social inequalities by giving communities a greater voice in development. Overall, Empower to Adapt has enabled communities to respond to current climate variability and to sustainably manage ecosystems to increase resilience.

The EIF's financial support for CBNRM activities in Namibia is a strong example of LLA, showcasing how a national fund can transmit finance from international funders to local institutions with a strong existing track record that can implement tried-and-tested, investment-ready solutions.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

The EIF receives funds from government budget allocation, environmental levies, official development assistance and international climate funds. Empower to Adapt is a US$10 million initiative funded by the GCF through its EDA modality as a devolved grants programme providing grants to community conservancies across Namibia.

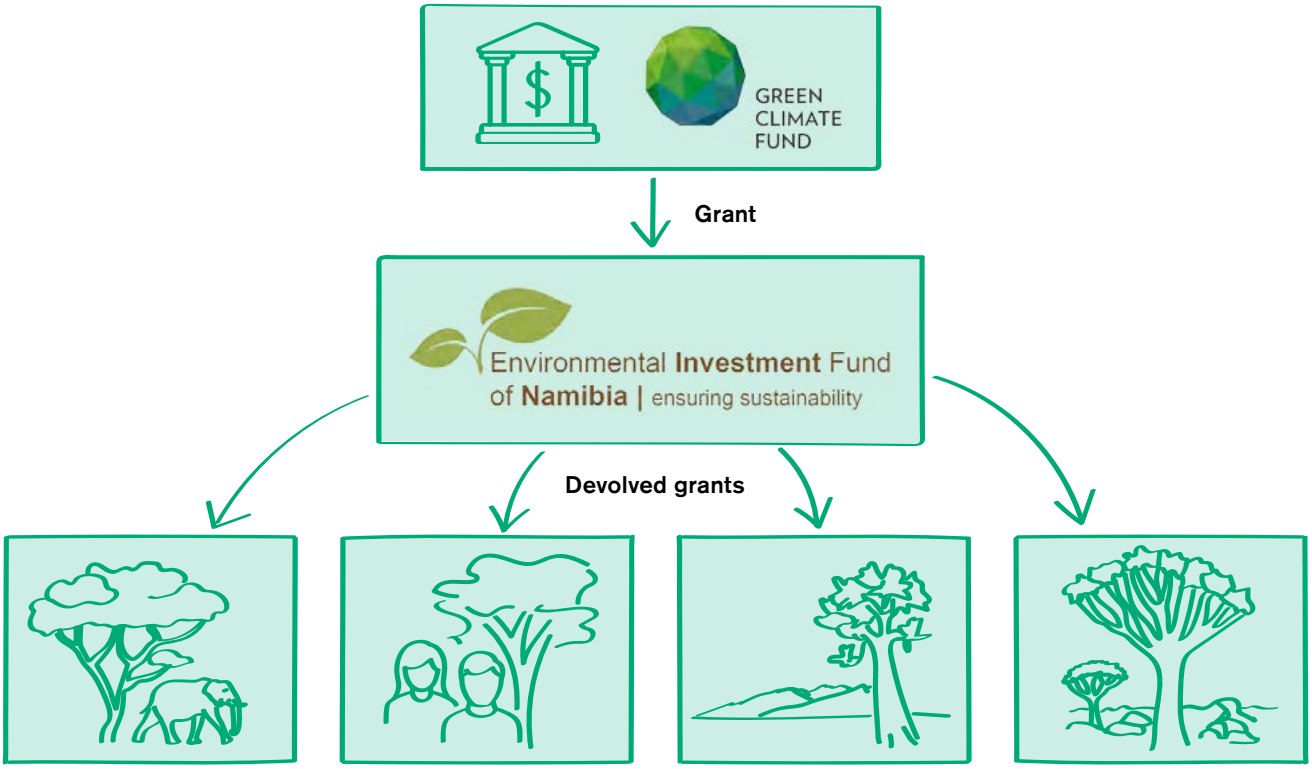
Figure 2 outlines the financial delivery mechanism for the EIF's GCF devolved grants programme. Instead of making fund allocation decisions at international level, EDA devolves this decision making to a national-level entity (see Box 3). For Empower to Adapt, the GCF approved the programmatic area for the intervention and a US$8 million grant facility managed by EIF to disburse funds for adaptation activities prioritised by community

1 Its full name is 'Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management in Namibia'

conservancies. The EIF was responsible for issuing a call for proposals on the broad criteria agreed with the GCF, selecting subprojects for funding and delivering this finance to the CBOs to implement the projects.

There are three windows under the devolved grant mechanism: climate-resilient agriculture, climate-resilient infrastructure, and ecosystem-based adaptation. EIF's EDA Project Management Unit directly disbursed the grants to community conservancies that had the requisite project development, implementation, reporting and accountancy skills. It was also possible for those without the required technical and financial management skills to choose a partner organisation to support them through the process as an alternative disbursement route.

Figure 2. Financial delivery model of EIF's GCF devolved grants programme



Source: Adapted from GCF 2016

Alignment with LLA Principles

Empower to Adapt showcases how the GCF can channel finance through a national fund to community-level institutions that already have strong capacity to implement sustainable natural resource management and ecosystem-based adaptation at the local level. The CBNRM approach has been a long-term initiative in Namibia that devolves the rights and responsibilities over wildlife, tourism, forests and other natural resources to rural communities. Instead of designing new structures to deliver finance, Empower to Adapt uses this existing architecture to strengthen climate adaptation within CBNRM approaches already being led by community conservancies. This means that GCF finance is being channelled into a tried and tested institutional architecture to scale up investments in LLA in Namibia.

The EIF's Empower to Adapt initiative aligns well with several of the LLA Principles, as outlined in Table 2.

Table 2. EIF: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
Although the GCF's EDA modality devolves some decision making to the local level, framing eligible funding windows and decisions around which projects can access finance are taken by the EIF at the national level. But the call for proposals enables CBOs to identify and design subprojects that respond to their needs and implement landscape management initiatives based on their unique understanding of the landscapes they operate in.
2. Addressing structural inequalities
By channelling funding directly to Namibia's poorest and most marginalised communities living next to community forests, Empower to Adapt puts these communities in charge of project implementation, providing jobs and boosting tourist revenue from community conservancies.
4. Investing in local institutional capacity
Building on Namibian CBOs' 25 years of experience in implementing CBNRM, Empower to Adapt helped strengthen their ability to integrate climate change into their activities, allowing them to 'learn by doing' with regards to mainstreaming adaptation into CBNRM activities. Where necessary, the EIF also gave capacity-building support to help CBOs form subprojects, while those with less capacity to produce and implement subprojects could work with partner organisations to learn how to manage different aspects of the process.
8. Collaborative action and investment
The ecosystem-based adaptation grant window required multiple CBOs to work across shared landscapes and co-produce and implement ecosystem management activities together, underlining the need for collaboration in shared landscapes.

Lessons learnt on business unusual

The EIF's Empower to Adapt initiative showcases how an international finance provider like the GCF can finance LLA by channelling funds through a national climate fund to established CBOs. Here, we outline important lessons for funders and implementing entities around scaling up and improving this type of delivery mechanism in the future.

Lesson 1: Funders and implementing entities. Mechanisms like EDA that enable local entities to direct funding to their own adaptation priorities represents a paradigm shift in the way that the major climate funds can deliver funding. The EDA mechanism represents an important new approach for channelling finance via national institutions directly to the local level. But EDA initiatives may require further tweaks to enable them to devolve decision making more holistically to the local level. They still centre a significant amount of decision making at the national level, including 'problem framing' the prioritisation of adaptation programmes for submission to international climate funds, designing programmes like Empower to Adapt, and approving the investments eligible for finance. Implementing entities should develop processes to solicit demand for international finance from the local level, and to co-design programmes that more fully respond to local-level demand.

Lesson 2: Funders and implementing entities should design interventions with longer timeframes that enable enough time to invest in institutional capacity and 'learning by doing'. Although the GCF provided funding to the EIF for a five-year programme, after factoring in launching a programme at national level, putting out public calls for proposals and conducting evaluations at the end of the programme, this translated into only three years of subproject implementation at the community level. This leaves little time for experimentation with different

approaches, possible delays from climate impacts and other shocks, and institutionalising approaches within CBOs. Funders and implementers developing adaptation investment programmes should therefore increase the timelines of their initiatives to invest more patiently in the institutional processes and technical solutions that will build longer-term resilience.

Further reading

EIF Namibia. CBNRM EDA Project. https://cbnrm.eif.org.na/index.php

GCF (2017) Empower to Adapt: Creating climate change resilient livelihoods through community-based natural resource management in Namibia. https://tinyurl.com/y755tsau

EIF (2022) The Environmental Investment Fund of Namibia's journey with the Green Climate Fund: Experiences, Good Practice and Lessons Learned. https://www.eif.org.na/download/eif_gcf-report-2022

3. Community Adaptation Small Grants Facility (SGF)

Geography	Africa
Country	South Africa
Climate hazards	Droughts, seasonal shifts, storms
Theme	Agriculture, livelihoods, housing
Delivery mechanism	Government: national fund with EDA from the Adaptation Fund
Financial instrument	Grants
Finance amount	US$2.4 million
Target group	Community organisations in vulnerable rural communities
Beneficiaries	10,927 people

1. Devolving decision making to the lowest appropriate level

2. Addressing structural inequalities

3. Providing patient and predictable finance that can be accessed simply

4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability

8. Collaborative action and investment

Context

In 2014, SANBI became the first organisation to receive funding from the Adaptation Fund through the EDA modality to implement a small grants facility channelling finance directly to communities to make their own climate-resilient investments. The initiative, entitled 'Taking Adaptation to the Ground: A Small Grants Facility for enabling local-level responses to climate change' (which we refer to simply as the SGF) provided an important testing ground for the viability of EDA for delivering international climate funds.

With the objective of helping communities increase their resilience and reduce their vulnerability to climate change impacts, the SGF financed climate adaptation response strategies in vulnerable rural communities in Namakwa District in the Northern Cape and Mopani District in Limpopo. After conducting vulnerability assessments to identify beneficiary groups and priority sectors in both districts, it disbursed grants to 12 rural community organisations, which used the funds to build adaptive capacity and deliver tangible local agriculture, livelihood and settlement benefits to 1,921 direct and 9,006 indirect beneficiaries (Table 3). The SGF supported resilience by providing finance for communities to invest in their livelihoods and infrastructure so that they would be resilient to both current climate variability and potential longer-term climate impacts.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Table 3. High-level outcomes of the SGF

Climate-resilient agriculture	Climate-resilient livelihoods	Climate-proof settlements
Projects included introducing hardier livestock breeds, improved grazing management and practices for local farmers, and developing climate-smart food gardens that incorporate agroecology, simple technology food coolers and dryers, and other elements. New assets include: ▪ 12 livestock shelters ▪ 89 climate-resilient livestock ▪ 2 water storage reservoirs ▪ 4 nurseries ▪ 1 biogas digester ▪ 1 solar drier ▪ 2 poultry houses ▪ 3 climate-resilient grazing plans developed ▪ 3 (3.97 hectares) communal climate-resilient food gardens ▪ 136 backyard climate-resilient food gardens ▪ 37 rainwater harvesting tanks and 26 water storage tanks for small-scale farming	Projects included savings groups that provided additional income to support adaptation measures, and establishing a safety-at-sea mechanism to protect small-scale fisher livelihoods. New assets include: ▪ 20 savings groups ▪ 3 storage and processing sheds ▪ 1 water committee ▪ 1 early warning system for fishers ▪ 1 disaster risk response mechanism for fishers ▪ 2 climate-resilient small-scale fisher cooperatives ▪ 3 shelters for vegetable production ▪ 2 cooling facilities for food traders	Projects included installing household rainwater harvesting systems, shelters to protect herders against extreme temperatures, and systems that assist with weather prediction. New assets include: ▪ 15 houses with improved insulation ▪ 3 compost toilets ▪ 2 refurbished earth dams ▪ 154 domestic rainwater harvesting tanks ▪ 13 mobile herder shelters ▪ 5 rehabilitated gullies

Financial delivery model

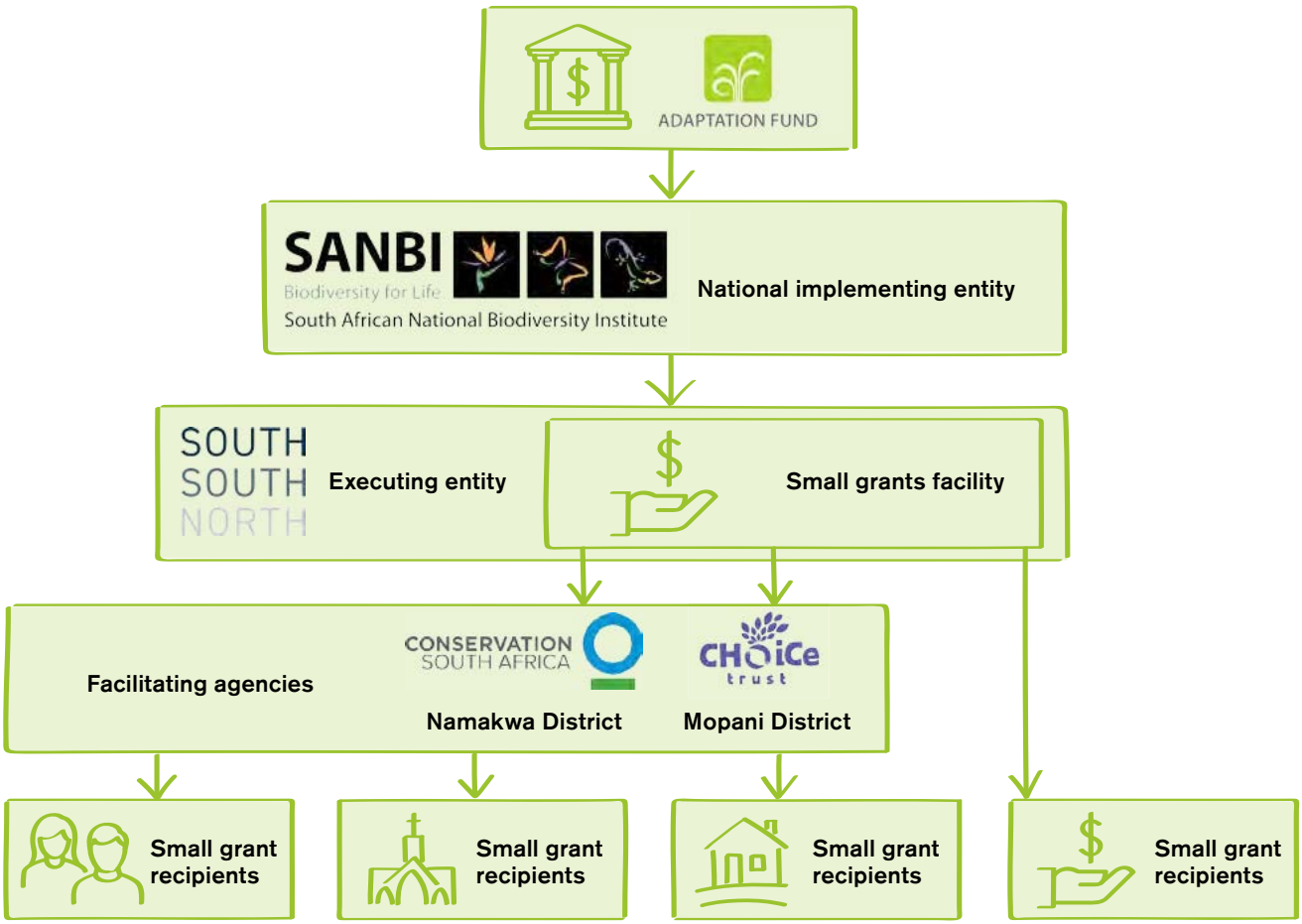
The SGF was capitalised by a US$2.4 million grant from the Adaptation Fund. From 2015 to 2020, SANBI and SouthSouthNorth (SSN) managed the SGF, delivering these funds as small grants to local recipients to implement adaptation actions in three subsectors. In total, the SGF provided grants ranging from US$96,000 to US$144,000 to 12 local recipients.

Getting money to the local level required support from many stakeholders (Figure 3). Funds were initially transferred from the Adaptation Fund to SANBI, the national implementing entity. SANBI then disbursed funds to the executing entity, SSN, every quarter, once quarterly financial reports were submitted and approved. SSN coordinated and managed the granting process and disbursed funds directly to small grant recipients. Where these organisations did not have adequate financial management capacity, local facilitating agencies took on an administration and capacity-building role through a tripartite agreement so that grantees could access funding and implement their initiatives. As the facilitating agencies already had a relationship with the small grant recipients in the target communities and understood local needs, they provided considerable financial, technical and operational capacity-building support directly to recipients in many areas.

Several advisory bodies were key enablers in ensuring the success of the SGF, including:

- The Project Advisory Group, comprising representatives from national government, district government, academia, and a civil society network, which provided technical input and strategic direction during the grant application process and project implementation, and
- The Technical Advisory Group of Mopani and Namakwa Districts, comprising representatives from the provincial government, municipalities and academia, which played a crucial role in promoting locally led initiatives that contextualised the practical needs on the ground.

Figure 3. SGF governance structure and execution



Alignment with LLA Principles

Table 4 highlights the ways in which the SGF supports LLA, showcasing its alignment with four of the eight LLA Principles.

Table 4. SGF: alignment with the LLA Principles

LLA Principle	
1. Devolving decision making to the lowest appropriate level	
	The SGF's governance structure and procedural requirements were designed for locally inclusive decision making. One innovation was designating a facilitating agency in every region, which had substantial reach into local communities, to support capacity building and create linkages between the 12 grant recipients and national oversight structures. Multiple stakeholders — including local municipalities and relevant government bodies — were involved in the grant award decision making. To award grants, the SGF required written mandates to prove that local communities, leaders and beneficiaries approved the project choice, design and implementation. Communities designed the projects, with experts, such as structural engineers, invited to contribute when required through a process that included community engagement. Sustainability plans for project continuation beyond its life cycle often had to be signed off by local leaders or community cooperatives to ensure that the assets developed through the project would be maintained.
4. Investing in local institutional capacity	
	Capacity building and knowledge transfer were essential components of the SGF, including the primary reason for designating facilitating agencies to provide ongoing support. Continuous, dynamic capacity building in financial, grant and project management, as well as technical areas such as soil conservation and management, water management, agroecology, and livestock management, helped ensure that all stakeholders had the necessary capacity and understood the levels and types of capacity required. In an effort to respond to the breadth and depth of need, facilitating agencies provided more than double the expected site visits (349 throughout the SGF implementation) and delivered more than 44 formal trainings to grantees.
6. Flexible programming and learning	
	The SGF used a dynamic risk monitoring approach (see Box 5) to identify and respond to risks unique to its operating context. As the first Adaptation Fund EDA delivery mechanism, this approach provided important insights and lessons on the challenges of devolving finance and decision making to local actors. The SGF also used alternative contracting mechanisms to allow communities that did not meet the eligibility requirements to receive funding. For example, tripartite contracting arrangements allowed local entities to implement projects while facilitating agencies took responsibility for financial management and administration. In these instances, the SGF provided customised training and allocated additional money to support added value capacity-building interventions.
8. Collaborative action and investment	
	National and local governments, civil society and community groups participated in project design to ensure collaboration and accountability and avoid duplicating efforts at local level. Government involvement in SGF governance structures helped get some of the projects included in local Integrated Development Plans, which expanded opportunities for projects to access resources outside the SGF.

Box 5. Dynamic risk monitoring

Managing risk is a key challenge of disbursing funds to local recipients for implementing LLA initiatives. Risk management is at the forefront of most funders' minds, but with EDA — where decision making is devolved to national and local levels — it is not enough to simply conduct a due diligence exercise at the start of a project. Managing risk is an ongoing, dynamic and contextual process. Dynamic risk monitoring and ongoing support for first-time vulnerable grant recipients across the SGF's lifecycle made it more efficient.

Dynamic risk monitoring allowed oversight agencies to identify and respond to risks, and create collaborative capacity building. For example, one identified risk was financial transparency. A dedicated bank account — required for all grantees — was not enough to promote traceable expenditure. Cash-based withdrawals and cash transactions, common in rural communities, were problematic and resulted in disallowed expenditure (and losses for the small grant recipients or the SGF) in several instances. As a result, the SGF identified a need to build grant recipients' financial literacy capacity while acknowledging, and making allowances for, the informal cash-based system within which projects operated.

Lessons learnt on business unusual

The SGF provides some useful lessons for funders, governments and implementing entities.

Lesson 1: Funders, governments and implementing entities. Rather than using a 'one size fits all' approach, it is important to build the capacity of different institutions at national and subnational levels to implement LLA effectively. Rather than transplant interventions — even successful ones — funders should create an enabling environment by developing increasingly effective and capable systems and structures for delivering climate finance, integrating flexible support services and adaptive management practices to ensure interventions meet local communities' needs. This may require an iterative process informed by both climate science and community priorities.

Lesson 2: Funders should use more manageable risk management and reporting requirements for LLA initiatives that align with the capacity and time available to people working in local institutions. There needs to be good balance in risk management, to avoid overburdening local actors with reporting requirements that impede project implementation. While allowing for strong national oversight, many grant recipients under the SGF noted that the demanding quarterly reporting requirements redirected human resources from implementation to administrative tasks. The protracted report approval process also delayed some payments to grant recipients, occasionally delaying implementation. Co-developing a disbursement system that achieves balance between oversight and agility would help ensure funds reach local implementers when needed, more effectively aligning with LLA Principle 3 on simplified finance.

Lesson 3: Funders and implementing entities should note that there is a need for greater devolution of adaptation decision making under EDA modalities. To address inherent power imbalances and facilitate meaningful partnerships, the SGF governance model incorporated regular high-level technical and operational feedback structures from community to funder levels. Establishing a close relationship between local-level decision makers and higher-level project management ensured effective communication. These channels increased understanding of the overall project design at the local level, and communicated local needs upward. We should note, however, that although facilitating agencies had the opportunity to put forward concerns and input from local grant recipients, the latter expressed a lack of opportunities for substantive input into project operations and processes. This highlights a gap in the level of meaningful devolution of decision making in EDA modalities, showcasing the need for more devolved decision making to give local actors greater levels of agency over adaptation decision making, in line with LLA Principle 1.

Lesson 4: Funders and implementing entities should note that building trust and partnerships with communities takes substantial time and facilitated engagement, often in local languages. The facilitating agencies, who had longstanding relationships with the beneficiary communities built on trust, played a vital role. Inclusion began with project design by partnering with local entities to facilitate direct input from communities about their concerns and priorities and sharing up-to-date climate science with them to reach a consensus on priorities and the desired outcomes.

4. Devolved Climate Finance (DCF)

Geography	Africa
Countries	Kenya, Mali, Senegal, Tanzania
Climate hazards	Drought
Theme	Ecosystems, water security, food security, livelihoods
Delivery mechanism	Government: devolved climate finance
Financial instrument	Fiscal transfers from national to subnational government
Finance amount	£6 million (2011–19)
Target group	Rural poor
Beneficiaries	1 million people


1. Devolving decision making to the lowest appropriate level


2. Addressing structural inequalities


3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity


5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning


7. Ensuring meaningful transparency and accountability


8. Collaborative action and investment

Context

DCF is a mechanism for delivering climate finance to the local level for investing in adaptation. It involves establishing subnational climate funds, managed by subnational governments and community institutions that identify their own priority climate change responses and invest the finance in building resilience. Developing bespoke tools for climate risk assessment, planning and M&E is part of the DCF system to help subnational actors design and deliver effective responses to climate change.

DCF has been implemented in four sub-Saharan African countries. It was first piloted in Kenya's Isiolo County in 2011, and was then scaled out in 2013 to another four counties covering 29% of Kenya's land mass with a population of 3.3 million people (see Box 6). Tanzania followed suit from 2016 to 2018, piloting DCF in three districts. Mali and Senegal began piloting the mechanism in 2015 and by 2019 had reached over 1 million people with climate-related investments that supported access to water, improved soil, agroforestry, livelihoods and food security (DCF Alliance 2019; Koulibaly et al. 2017). By 2019, £6 million had been invested in 284 community-prioritised investments across the four countries (DCF Alliance 2019), including water infrastructure, livestock, natural resource governance and climate information services.

DCF helps communities build resilience in a number of ways. It enables communities to respond to current climate variability that threatens their livelihoods by making annual investments in public goods that are tailored to the local climate context. Secondly, DCF investments have restored and protected ecosystems to build resilience. This is particularly evident in Kenya, where communities have invested in customary natural resource management systems that prevent overgrazing and enable sustainable management of rangeland ecosystems for pastoralist communities. To a lesser extent DCF has also supported longer-term adaptation, through the use of vulnerability assessments and integration of climate data into planning — though it will take time to strengthen their use as planning tools. DCF also works to address structural vulnerabilities, for example by including women, youth and marginalised groups in local adaptation committees. However, addressing systemic barriers is a slow process and progress has varied depending on context.

Box 6. DCF in Kenya

After enacting a new constitution in 2010 that devolved executive and legislative governance to 47 political and administrative counties, Kenya became the first country to pioneer the DCF model for subnational climate financing. County governments have authority over key sectors, including agriculture and livestock, soil and water conservation, forestry, public works, health, planning and development. They are also tasked under the Climate Change Act (2016) to mainstream climate actions into county integrated development plans. County governments are allocated 15% of the national budget, giving them significant financial resources to invest in local development in sectors that directly relate to adaptation and resilience.

Within this devolution context, Kenya began piloting DCF in Isiolo County in 2011, scaling it up to Garissa, Kitui, Makueni and Wajir Counties in 2013. The DCF mechanism in Kenya is called the County Climate Change Fund (CCCF). CCCFs are formally established through climate change fund legislation and earmark 1–2% of their own revenue from annual budgets for climate investments (Orindi et al. 2020). In 2021 the World Bank announced it would invest US$150 million in the Financing Locally Led Climate Action (FLLoCA) programme (World Bank 2021). FLLoCA will pool funding from funders and scale-out DCF across Kenya between 2021 and 2026. This commitment represents the largest single investment so far in an initiative that embodies the principles of locally led adaptation (World Bank, 2021). It shows that there are opportunities for international donors to scale-up investment in LLA, and highlights the value in providing patient, long-term support to build the capacity of local institutions to manage and deliver their own adaptation finance.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

DCF mechanisms have four main operational components: the fund, local planning committees, climate information and planning tools, and monitoring, evaluation and learning (MEL). This involves:

- Establishing a **fund** with the legal, financial and fiduciary standards to channel public and private climate finance from national and international sources to subnational development budgets. The fund is guided by strategic and technical criteria that ensure spending is targeted to public-good, landscape-level adaptation investments that have sound MEL and sustainability plans.
- Establishing climate change **planning committees** at subnational levels of government, with locally elected representatives who consult their constituents and prioritise climate change investments for their communities, ensuring local ownership and impact. Committees are also empowered to participate in procurement and monitoring, evaluation and learning.
- Integrating **climate information and planning tools** into the selection, design, implementation and monitoring of community investments to ensure they address current and future climate risks and support effective climate risk management.
- Developing and strengthening participatory **MEL systems** to ensure effective local climate investments, adaptive management and stronger DCF institutions over time (Crick et al. 2019).

Figure 4. Operational components of the DCF mechanism

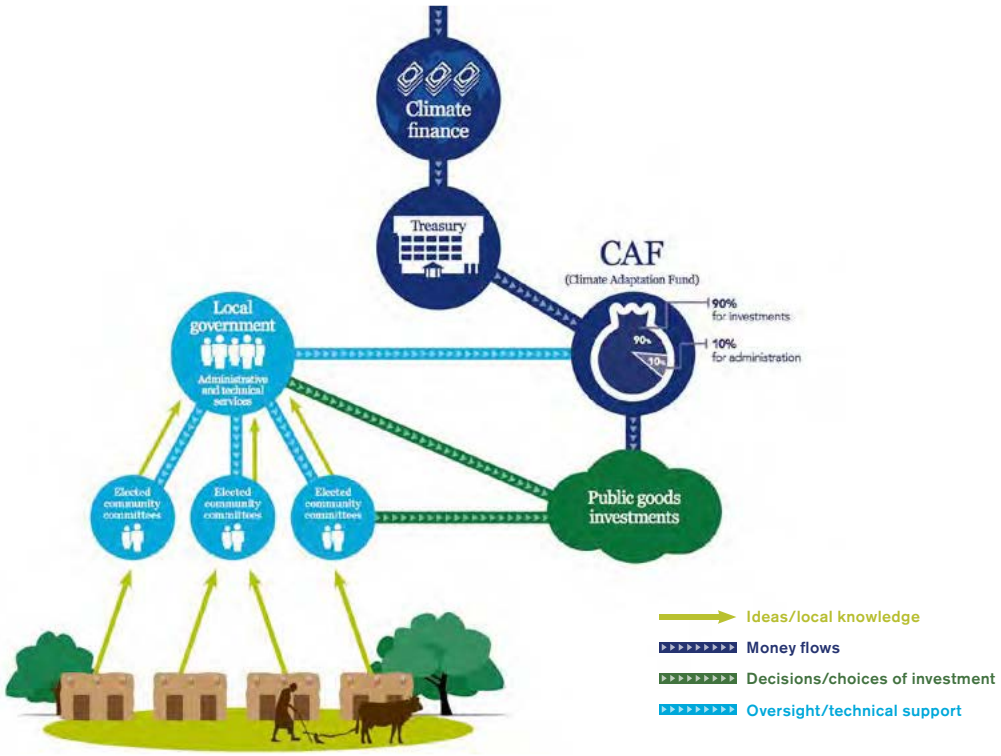
THE FUND	ADAPTATION PLANNING COMMITTEES
The DCF mechanism creates a fund used by local authorities to invest in public goods. Most (90%) of the fund is devoted to investments, with the remaining 10% funding the other three components of the mechanism. The fund is: ▪ Held at the discretion of the local governments ▪ Allocated to investments according to a set of agreed strategic criteria ▪ Allocated based on the recommendation of community-level adaptation planning committees.	Adaptation planning committees are established at different levels of local government, with more local levels prioritising the majority of available funding. The committees are elected from local administration, elected representatives, community members and local actors, and must include women's representatives. Committees: ▪ **Participate** in prioritisation, decision making, procurement, monitoring and evaluation of the investments ▪ Hold their own budget to function **independently** (see 'The fund') ▪ Are **supported** through training and capacity building in the process of establishing the fund.

MONITORING, EVALUATION AND LEARNING	RESILIENCE PLANNING TOOLS
The DCF mechanism draws on innovation from the Tracking Adaptation and Measuring Development (TAMD) framework to support flexible and adaptive management across local to national levels. It is intended to strengthen government's existing monitoring, reporting and verification processes. MEL systems continue to be a work in progress. Examples of specific innovation include the following: ▪ **Institutional scorecards** access the scope and quality of climate risk management processes and activities at the institutional level ▪ **Household surveys** seek to better understand changes in individual and community resilience ▪ **Community-developed theories of change** at the investment level explicitly link the investments to expected resilience outcomes.	Participatory resilience planning tools coupled with dissemination of climate information ground planning in local realities. The tools enable communities to articulate the rationale behind the investment selection in relation to climate change. Tools include: ▪ **Participatory resilience and risk assessments** — participatory qualitative evaluations designed to take stock of climate change and vulnerability issues; ▪ **Climate information services dissemination** to enable local planning against short-term forecasts and longer-term seasonal trends ▪ **Participatory resource mapping** — mapping of the use and management or resources to identify sustainable investment and resource management plans. Maps were digitised in Kenya and Tanzania.

Source: Adapted from DCF Alliance 2019

DCF mechanisms are sophisticated financial mechanisms that are embedded in formal governance structures, designed for countries with decentralised governance systems where subnational governments have legislative and financial authority. DCF models use existing intergovernmental financial transfer processes as part of the public financial management system to transfer money from national to subnational levels. This allows local governments to access finance and use it to prioritise their own adaptation investments, making it a strong example of an LLA delivery mechanism. Figure 5 provides a generic overview of the financial flows and governance structure for a DCF mechanism.

Figure 5. DCF delivery model



Source: iied.org/devolved-climate-finance-dcf-alliance

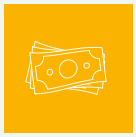
Note: The exact structure varies, based on the national and local context.

In this general model, finance flows from national government budgets through the public finance management system to subnational government budgets, which establish a separate fund (here called the Climate Adaptation Fund) with a specific percentage budget allocation for climate-related investments. It is also possible to channel international climate finance from the GCF, Adaptation Fund or other source into this fund, either through the national government treasury or directly to the subnational fund. At the community level, a group of stakeholders elected through village assemblies form community climate change committees. Tasked with conducting local climate risk assessments, these committees consult with communities and representatives of vulnerable groups, identify local climate risk investments and recommend which adaptation investments to prioritise. Their recommendations are passed on to county-level climate change committees — made up of elected officials, technical government staff and department heads — for approval, and they allocate money to the proposed investments. County-level committees cannot veto investments made at the local level, as long as they meet strategic and technical criteria. Roughly 90% of this money goes to concrete public good investments and 10% is for administration, providing climate information services, MEL and institutional strengthening.

Alignment with LLA Principles

DCF is a strong example of LLA, devolving decision making, providing predictable finance, investing in county- and ward-level institutions, and ensuring both transparency and vertical coordination across layers of government. Although DCF mechanisms attempt to address structural inequalities by ensuring representation of women, youth and other groups in decision making and improve decision making based on climate information and data, they have faced challenges in fully realising these ambitions due to entrenched power structures and a lack of downscaled climate information. Table 5 highlights the ways in which DCF supports LLA, showcasing its alignment with five of the eight LLA Principles.

Table 5. DCF: alignment with the LLA Principles

LLA Principle	
1. Devolving decision making to the lowest appropriate level	
	In Kenya, ward committees, comprised of community-elected representatives who consult with their constituents, are responsible for recommending climate investments to the CCCF for approval at county level. County committees can provide technical support but cannot veto decisions made at ward level, provided they meet the strategic and technical criteria.
2. Addressing structural inequalities	
	Addressing structural inequality is a process that takes a long time and has not been fully realised. However, the CCCF model puts processes in place that promote social inclusion, and ultimately aim to shift attidudes over time. In Kenya, the CCCF legislation adopted by counties ensures women, young people and those living with disabilities are members of the ward and county climate change planning committees and are actively engaged in these. In addition, education requirements are not necessary to become a member of the ward committees, which enables people with low literacy to participate.
3. Providing patient and predictable finance that can be accessed simply	
	The DCF model aims to provide regular annual budgets, ensuring predictability for climate investments. By establishing funds within decentralised governments, DCF mechanisms can ensure that climate investments are part of the annual planning and budgeting cycle. DCF channels bilateral and international funds through government systems to the county level, ensuring better predictability of funding for the CCCFs. In Kenya, CClocal governments have also allocated between 1–2% of their annual budgets to the CCCF, ensuring predictable domestic finance from national governments to local governments.

LLA Principle
4. Investing in local institutional capacity
By embedding adaptation planning and financing in a country's existing governance and financial architecture, the DCF model does not create a parallel process. Rather, it works within decentralised or devolved governance structures to build capacity in local-level institutions. It establishes clear institutional processes for community-level consultations to identify adaptation needs and procedures for approving and disbursing finance for adaptation investments at county level.
5. Building a robust understanding of climate risk and uncertainty
DCF integrates resilience assessments and vulnerability mapping into adaptation planning processes at the local level. These are used by ward climate committees to help with the prioritisation of resilience investments, ensuring that investments are made based on a robust understanding of climate risks.
7. Ensuring meaningful transparency and accountability
As it is integrated into decentralised governance, the DCF model provides transparency and accountability to adaptation investment decision making. In Kenya, ward and community committee members are elected in transparent processes, and representatives lead a bottom-up participatory planning process for resilience investments to ensure local voices are heard. Ward committee members participate in county-level resilience investment decisions, ensuring they reflect the will of their constituents. The DCF model ensures transparently allocated budgets for the county level, ward level and administration costs.
8. Collaborative action and investment
The mechanism's main innovation is ensuring vertical collaboration across government levels through decentralisation frameworks to ensure that adaptation finance is channelled downward, with decisions made at the lowest level of governance. International funders can use this vertically nested mechanism to put money into one central allocation that is then disbursed for decision making at local level. The World Bank's FLLoCA programme, the largest donor finance commitment to LLA to date, commits over US$150 million through DCF to county governments, pooling finance from different donors in order to scale-out the DCF mechanism to more counties across Kenya.

Lessons learnt on business unusual

The DCF model provides important lessons on how to foster and support LLA. Below we highlight two key lessons, for governments and implementing entities supporting climate mainstreaming, and for international funders.

Lesson 1: Governments and implementing entities. There is significant value in integrating climate planning and financing into governance systems, instead of creating parallel climate finance delivery processes. DCF models strengthen government institutions to be agile in responding to climate impacts, working with devolution of government to integrate local knowledge on climate change into planning, ensure voices of marginalised groups are heard in this planning process and enable downward accountability. When matched with dedicated, regular finance allocated from national and local budgets, they can serve as strong mechanisms for patient, predictable finance for investments in adaptation based on local priorities.

Lesson 2: Funders can get behind decentralised governance mechanisms to deliver finance directly to people on the frontlines of climate change. The recent announcement that international funders will scale-up finance to DCF in Kenya under the FLLoCA programme showcases the viability of DCF as an LLA financing mechanism and points towards ways that funders can scale-up LLA finance in other contexts.

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5. Local Adaptation Plans of Action (LAPAs)

Geography	Asia
Country	Nepal
Climate hazards	Floods, landslides, drought, forest fires, other extreme events
Theme	Local adaptation planning
Delivery mechanism	Government: devolved climate finance
Financial instrument	Grants
Finance amount	US$150 million since 2011
Target group	Rural municipalities, rural poor, women, youth, disabled and displaced people, Indigenous Peoples, ethnic groups
Beneficiaries	More than 500,000 people

1. Devolving decision making to the lowest appropriate level

2. Addressing structural inequalities

3. Providing patient and predictable finance that can be accessed simply

4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability

8. Collaborative action and investment

Context

Nepal is a pioneer in delivering LLA. In 2011, it committed to investing 80% of climate finance in community priorities and launched the LAPA Framework, the world's first decentralised climate adaptation planning process, to ensure that local actors drove decisions around climate investments. The framework aims to mainstream climate adaptation, disaster risk reduction and management in the local development process to develop a climate-resilient society.

LAPAs are jointly developed by subnational governments, community groups and CSOs. First, communities and vulnerable groups conduct a climate risk and vulnerability analysis at local level, identifying the climate risks they face and adaptation options and prioritising adaptation actions to respond to climate change. Local governments (called *palikas*) then provide the technical and financial support needed to implement priorities, integrating them into their annual and multiyear budgets to ensure actions are financed and delivered. The federal government, development agencies and other national and international organisations channel finance to *palikas*, NGOs or community-based organisations (CBOs) to help communities implement LAPAs. Figure 6 outlines the LAPA process.

Across Nepal, LAPAs have delivered adaptation action for agriculture and food security, access to water, watershed management, forestry, energy, biodiversity and landscape management, disaster risk reduction (DRR) and physical infrastructure. LAPAs have helped communities address the underlying drivers of vulnerability and prepare robust responses to future climate impacts.

In 2015, Nepal adopted a new constitution, changing the country to a federal system and devolving significant autonomy to seven provincial governments and, below them, 753 *palikas*. To reflect the new governance context, the government updated the LAPA Framework in 2019, integrating lessons from the first eight years of LAPA implementation, including greater emphasis on building local government capacity to understand climate change risks, and ensuring that LAPAs target vulnerable groups.

The updated LAPA Framework tasks *palikas* with a leading role in LAPA development and delivery. Over the coming years, the approximately 200 *palikas* that already have LAPAs will focus on delivering the adaptation actions communities have already prioritised. The government has also mandated that all 753 *palikas* will develop a LAPA by 2030, with financial support from international and domestic sources under Nepal's Green, Resilient, Inclusive Development[2] strategic action plan.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

2 https://tinyurl.com/3dnarnz7

Figure 6. Main steps of the LAPA process

Source: Government of Nepal (2019).

Financial delivery model

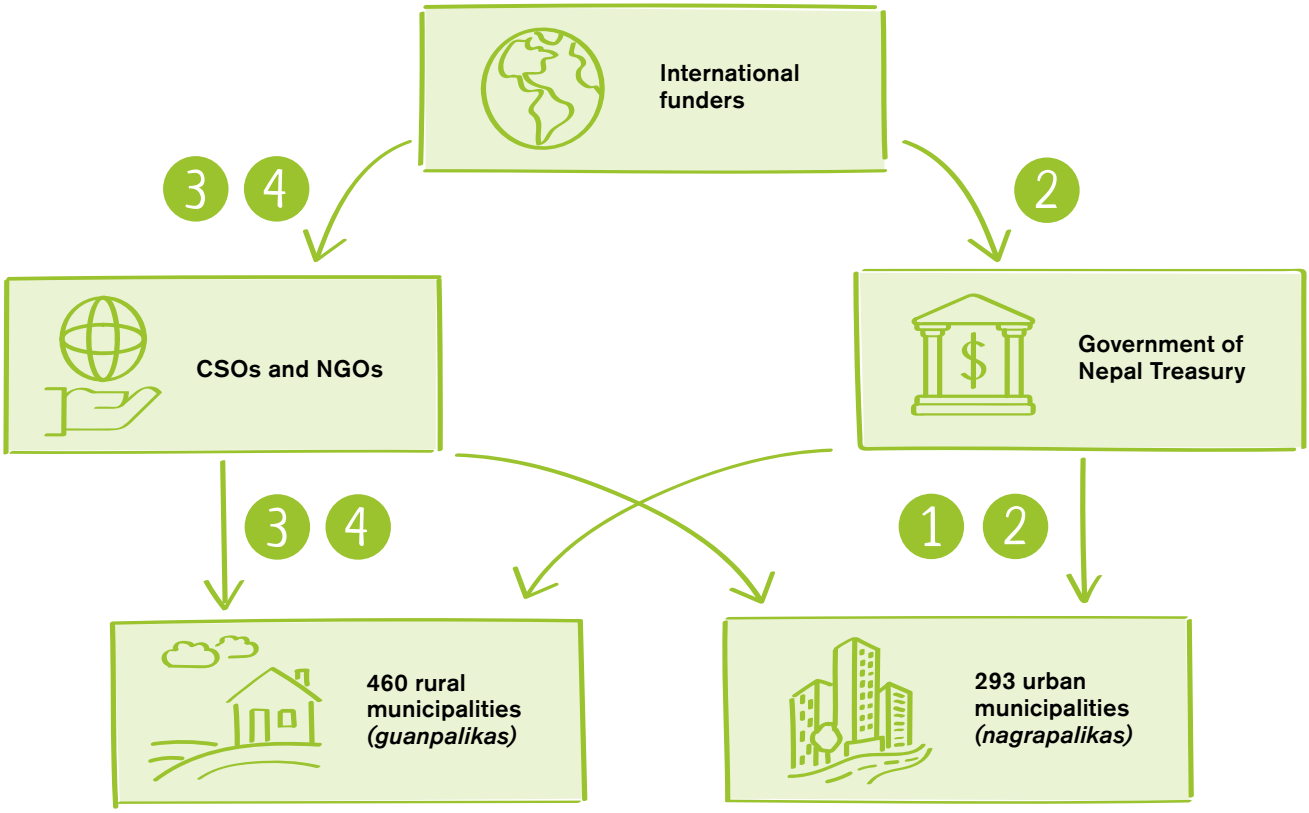
Nepal has used four financing modalities for LAPAs, with finance coming from either the government or international funders and channelled to the local level either through government systems, or international and national NGOs and civil society groups (Figure 7).

Palikas spend the finance that is channelled to them directly through government systems to implement LAPAs (on-treasury) on the priorities identified in the LAPA through their annual budgeting process. Future finance to scale-out LAPAs to all remaining *palikas* will be delivered via this modality. For finance that has been channelled to CSOs and international NGOs (off-treasury), the finance is spent directly on LAPA priority projects through grants to community organisations such as producer, resource user, and women's groups.

Since LAPAs were first established in 2011, most finance for developing and implementing them has come from international funders. While some have delivered on-budget and on-treasury, many funders have opted to support LAPAs indirectly through NGOs and civil society (off-treasury). Across Nepal, approximately US$150 million from bilateral funders has been invested in developing and implementing LAPAs, benefiting over 500,000 people directly between 2011 and 2020 (PIF and OPM 2021).

The government of Nepal has a target that 80% of international climate finance should be delivered to the local level. A recent analysis highlights that 70% of the climate financing from international sources is spent at the local level (Government of Nepal 2021). Through public audits, public hearings, and a joint M&E process, there is also a mechanism for evaluating the impact.

Figure 7. Financial delivery model for LAPAs in Nepal



Finance can be delivered in the following ways:

1. Domestic finance delivered via fiscal transfers from treasury to *palikas*
2. International finance delivered via Nepal Treasury to *palikas* (on-budget, on-treasury)
3. International finance delivered via NGOs and CSOs and captured through government Red Book
4. International finance delivered via NGOs and CSOs not captured through government Red Book

Alignment with LLA Principles

LAPAs are a strong example of how local governments, communities and civil society can work together to deliver climate action at the local level. Their main strengths lie in devolving decision making on climate action, working to address structural inequalities and building a robust understanding of climate risk. However, both funders and government need to increase efforts to provide patient and predictable financing to enable *palikas* to implement all priority LAPA actions to reduce risks and adapt to climate impacts. Table 6 highlights the ways in which LAPAs support LLA, showcasing their alignment with six of the eight LLA Principles.

Table 6. LAPAs: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
LAPAs are adaptation plans developed by local governments in consultation with vulnerable communities and marginalised groups that devolve the authority to respond to climate change at the most local government level. They are developed through community-driven, localised, contextual decision making in which residents assess how climate change is affecting them and their resources, identify priority adaptation options and then integrate these into *palika* plans for financing and delivery. Around 200 *palikas* (27%) have developed LAPAs to date; the target is for all 753 to have them by 2030.

LLA Principle
2. Addressing structural inequalities
LAPA guidelines are framed around the intersectionality principle of differentiated impacts, risks, and vulnerabilities posed by climate change for different groups of people. Vulnerability analysis is part of the LAPA process, examining how households, communities, marginalised groups, sectors, and landscapes are vulnerable to climate impacts. LAPA guidelines classify vulnerable groups as farmers, women, community groups, Dalits, Indigenous groups, Madhesi people, Tharu people, Muslims, hard-to-reach communities, minority groups, marginalised groups, youths, children, senior citizens and differently abled individuals. *Palikas*' climate change adaptation investments are allocated based on this vulnerability ranking, with the most vulnerable receiving first priority for investment.
4. Investing in local institutional capacity
The process is led by local governments, supported by CSOs. This builds their internal capacity through learning by doing to identify, plan and deliver priority climate adaptation interventions, including making development investments more environment-friendly and climate-resilient. This is useful during Nepal's transition to a devolved federal structure, as there is a need to build capacity in many local governments. In many parts of Nepal, LAPA planning involves coordinating with community-based groups — forestry user groups, Indigenous Peoples, women's groups, and so on — to support vulnerability and risk assessments and identify priority adaptation options. Community groups also help deliver adaptation actions, building their capacity to manage finance, partner with the government and implement adaptation responses. Overall, low subnational-level capacity for planning and delivering climate investments continues to be a constraint for implementing LAPAs. But with increased funding, training and experience, this will improve over time.
5. Building a robust understanding of climate risk and uncertainty
LAPAs assess climate change vulnerabilities, risks and impacts at household, community and sectoral levels, preparing detailed risk maps with information on the groups that are particularly vulnerable to climate change and updating the risk profiles annually. Each *palika* uses this analysis to create a vulnerability ranking of communities, which is used to prioritise adaptation actions. Local vulnerability mapping and ranking is a strength of the LAPA process. Developing the necessary tools to combine this bottom-up analysis with scientific data would enable communities to plan for the range of possible climate futures and changing weather patterns — more disrupted monsoons, more cloud burst events and so on. However, there are challenges in doing so due to uncertainty inherent in downscaled climate models.
6. Flexible programming and learning
LAPAs are a flexible and adaptive approach that revisits risk and vulnerability every year when preparing the priority adaptation options for inclusion in local government- and community-driven plans. This ensures that adaptation investment delivery is based on the most recent vulnerability analysis and community priorities. LAPAs are also based on learning-by-doing, and reflection on the process, approach and output is key to identifying future priority responses.
8. Collaborative action and investment
By coordinating action between national and local levels, LAPAs enable integrated subsidiarity. From a financing perspective, they also enable the national government and funders to pool and channel finance through decentralised government systems to scale up investment for implementing LAPAs, disbursing more than US$150 million to date. At the local level, planning and delivering LAPAs involves cross-sector collaboration by different actors, including *palikas*, sectoral departments and agencies, international and national NGOs, CBOs and so on.

Lessons learnt on business unusual

Over the past decade, Nepal has gained significant experience in delivering local-level adaptation through decentralised government planning. This collaboration between government, communities, vulnerable groups and civil society has yielded rich evidence on the challenges and successes of delivering LLA. The lessons generated from the LAPA experience are relevant to other contexts where governments are devolving development decisions to subnational levels. Here, we highlight three lessons for funders, national governments and implementing entities.

Lesson 1: Funders can usefully support LLA by channelling finance through official government systems in contexts where national governments make fiscal transfers to local governments for direct implementation of adaptation initiatives. This is because on-budget, on-treasury financial support — channelled through the national treasury — creates a clear, transparent, predictable financing process that is delivered in a programmatic way. This prevents projectised, small-scale, fragmented, short-term parallel mechanisms from delivering support to communities. On-budget, on-treasury support encourages national governments to earmark devolved finance for investment in local-level adaptation, to ensure it meets both funder and community objectives.

Lesson 2: National governments can support LLA by ensuring that a specific percentage of finance for climate action is devolved to the local level. In setting a target for delivering 80% of climate finance to the local level, Nepal has ensured significant local adaptation investment, positioning itself as a world leader in promoting LLA. Over time, national governments should contribute their own domestic finance to local-level adaptation actions. International public finance has not covered all the priority actions in each *palika* that has developed a LAPA, and the national government could meet this shortfall with domestic climate finance. Co-financing in this way does not have to involve a trade-off between development infrastructure or climate action, as commonly believed. Rather, as investing in water security, food security, agriculture, livestock, health and other local resilience also tackles development deficits, government co-finance can help communities shift to climate-resilient development pathways.

Lesson 3: Implementing agencies. Ensuring adaptation interventions prioritise the most vulnerable remains difficult. Socio-structural challenges such as gender, class and ethnic disparity mean there is still elite capture in terms of making decisions on prioritising adaptation options. Sensitising and empowering implementing agencies — including local governments, communities and organisations — to recognise the differentiated risk and vulnerability faced by different groups would help ensure local adaptation initiatives support the most vulnerable.

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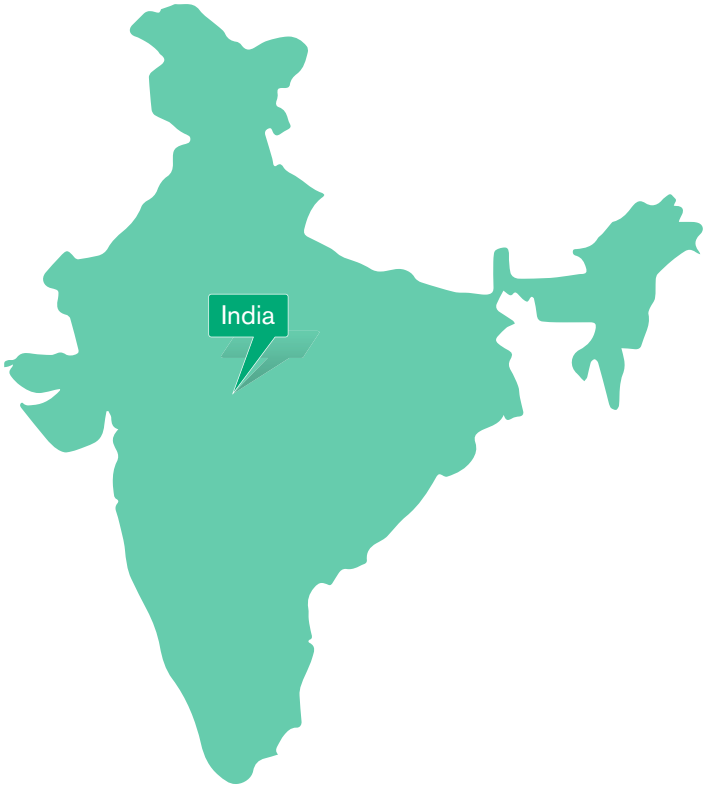
6. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)



Geography	Asia
Country	India
Climate hazard	Drought
Theme	Shock-responsive social protection
Delivery mechanism	Government: social protection
Financial instrument	Cash transfers
Finance amount	Approximately US$7 billion a year
Target group	Rural poor households
Beneficiaries	Approximately 70 million households a year

1. Devolving decision making to the lowest appropriate level

2. Addressing structural inequalities

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5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability

8. Collaborative action and investment

Context

In India, 270 million people — approximately 20% of the population — is deemed to be poor (World Bank 2016). Of these, 80% live in rural areas. Casual on- and off-farm labour is the main source of employment for vast numbers of India's poor, as only 15% have completed education beyond middle school and access to basic services is poor.

Against this backdrop, the government has rolled out MGNREGS, the world's largest public works programme covering 250 million people in 125 million households that offers all rural households 100 days' guaranteed wage employment as unskilled labourers (with a mandate that 30% of beneficiaries should be women). With its objectives growing over time to encompass improving infrastructure, strengthening institutions and developing skills, MGNREGS is an example of a graduation approach that delivers a comprehensive package of interventions to help households meet dips in consumption during shocks and stresses (Kaur et al. 2019), allowing them to move out of poverty over time.

While there is a vast and growing body of evidence on MGNREGS' impact on reducing poverty, climate change has emerged as a major threat to the lives and livelihoods of the people the scheme aims to support. It is likely, therefore, that hydrometeorological shocks and stresses, which are becoming more frequent and intense, will reverse the poverty reduction gains made by MGNREGS. This has led to a growing interest in examining how MGNREGS could ameliorate climate risks by enhancing the capacities of the rural poor to adapt to a changing climate.

Research across four Indian states has found that MGNREGS helps households enhance **absorptive** (bouncing back) and, to a markedly lesser extent, **adaptive** (adjusting to medium- and long-term risks) and **transformative** (systematically crossing vulnerability thresholds) resilience to address complex risks (Kaur et al. 2019). Since then, the government has trialled additional initiatives, such as the Infrastructure for Climate Resilient Growth (ICRG), to strengthen MGNREGS so it can help improve the resilience of the rural poor. ICRG has shown that MGNREGS could be a valuable mechanism to help poor rural communities withstand shocks and stresses by providing work and wages in anticipation of hazards (such as drought), increasing wages based on climate risk and ensuring that the infrastructure assets developed under the scheme are based on a robust assessment of risk.

Overall, MGNREGS supports resilience by providing households with additional income that helps them manage short-term climate variability and shocks, and by providing regular access to employment for poor, vulnerable and socially excluded households.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

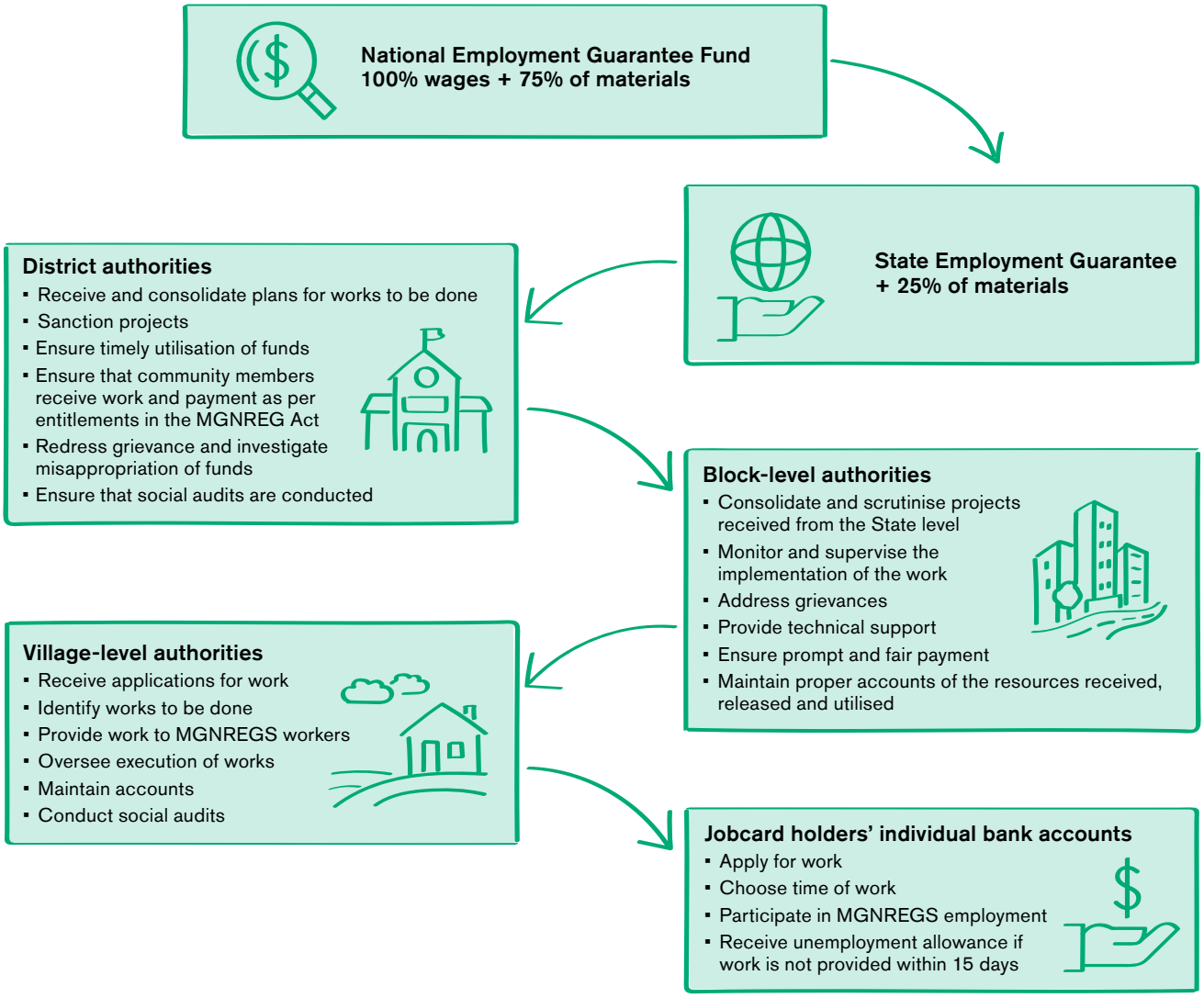
Figure 8 provides an overview of the MGNREGS financial delivery mechanism and functions carried out by actors at each level. MGNREGS is entirely funded by central and state governments. Labour budgets are approved centrally each year, and the National Employment Guarantee Fund then channels the financing to State Employment Guarantee Funds, covering both wage and administrative costs. The national fund covers 75% of material components, and state budgets cover the rest. After the funds are transferred to state and recorded via an electronic fund management system to ensure effective utilisation, states then release them to local government bodies at district, block and village levels (Soanes et al. 2019). At the village level, households can participate in MGNREGS as labourers on community infrastructure projects. The scheme is demand-led, meaning that households can request to participate in MGNREGS and village authorities must provide them with employment within 15 days. Each household

has a a job card, which digitally records a household's participation in MGNREGS. Job cards are each attached to the bank account of the household. Payments for employment under MGNREGS are made directly from village-level budgets to the bank accounts of households.

MGNREGS adopts a subsidiarity principle, devolving decision-making power to local village self-governance units known as *gram panchayats*, which are formed of village community representatives. *Gram panchayats* register households for enrolment in the programme, issue job cards, allot work, gauge demand for work, identify and plan the activities that need to take place by developing a set of projects to be undertaken based on local priorities, raise awareness on the availability and benefits under the scheme, enable audits by local communities and government authorities, maintain records and ensure that work is completed to standard.[3] In this way, they have agency to oversee the functional aspects of the work being undertaken — for example, by keeping records and issuing job cards — as well as key structural aspects, determining priorities for projects, maintaining accountability and so on.

MGNREGS' unique accountability mechanisms — social audits — ensure it delivers benefits to those who need it most. The scheme shares details of the resources its uses for development initiatives through a public platform, allowing rural communities to enforce transparency and accountability by scrutinising whether resources are being used in the way officials claim. This ensures that state-reported expenditures reflect the actual monies spent on the ground, reducing the likelihood of graft, malfeasance and wastage. *Gram sabhas* — which cover four to five *gram panchayats* — organise social audits, following an established protocol that empowers communities to ask questions, demand information and review testimonials to audit the quality of support provided.

Figure 8. MGNREGS financial delivery mechanism



3 https://nrega.nic.in/Circular_Archive/archive/nrega_doc_FAQs.pdf

Alignment with LLA Principles

MGNREGS is a unique example of LLA in action as a social protection system in a middle-income country that is fully funded by central and state governments, and delivered through decentralised government agencies. Though not explicitly designed to support climate resilience, it has gained significant attention in recent years as a delivery mechanism that implicitly supports resilience through cash transfers and community investments that support risk management when shocks occur. Table 7 highlights the ways in which MGNREGS supports LLA, showcasing its alignment with five of the eight LLA Principles.

Table 7. MGNREGS: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
Gram panchayats have functional and structural agency in determining priorities for investment and ensuring finance is put in the hands of households to help them manage risks.
2. Addressing structural inequalities
MGNREGS supports rural poor households that are already subject to a range of structural inequities. The act that established the scheme (MGNREGA) mandates that 30% of beneficiaries should be women, and MGNREGS has taken measures to ensure enhanced engagement of those deemed to be from deprived or 'backward' castes and tribes, mandating, among other things, that special care be taken to register their concerns during social audits.
3. Providing patient and predictable finance that can be accessed simply
MGNREGS mandates 100 days of work every year to anyone who demands this, regardless of any extenuating circumstances. The payment structure — whereby *gram panchayats* enable access to payments at local village level — increases ease of access. The scheme has also been widely successful in helping households at village level open bank accounts and gain access to formal banking services for the first time.
4. Investing in local institutional capacity
In contrast to development initiatives that create parallel delivery structures, MGNREGS routes finance for wages and materials through existing local-level institutional structures, supporting those within the *gram panchayats* and *gram sabhas* with training and instruction materials to manage these tasks.
7. Ensuring meaningful transparency and accountability
Accountability towards those who benefit from MGNREGS is its core feature, with social audits enabling community members to demand information on all aspects of the scheme's implementation.

Lessons learnt on business unusual

MGNREGS provides some useful lessons for funders and governments.

Lesson 1: Funders' default position should be to identify and use existing mechanisms that provide an effective approach for realising LLA or support countries that have the capacity to do so to establish nationally owned systems. Although the world's largest, MGNREGS is by no means the only scheme of its type, and many countries have similar mechanisms in place. So, rather than invest resources in establishing a parallel institutional architecture that may not be sustainable in the long term, funders should strive to exploit the potential of entrenched or endogenous delivery mechanisms.

Lesson 2: Governments and funders must recognise that 'shaping' existing flows to ensure they deliver adaptation benefits may sometimes be more effective than providing additional resources for adaptation. The ICRG has demonstrated precisely this. Compared to MGNREGS' outlay, the resources invested by the ICRG are modest, yet they help secure resilience benefits from MGNREGS investments by mainstreaming climate in MGNREGS planning, implementation and monitoring. Other similar schemes would also benefit from mainstreaming adaptation or climate risk analysis.

7. Critical Ecosystem Partnership Fund (CEPF)

Geography	Caribbean
Countries	Antigua and Barbuda, The Bahamas, Dominican Republic, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines
Climate hazards	Tropical storms, drought, floods, wildfires
Theme	Ecosystem management
Delivery mechanism	Civil society: regional fund
Financial instrument	Grants
Finance amount	US$18.7 million (US$6.9 million in Phase I; US$11.8 million in Phase II)
Target group:	Civil society groups, including those led by and supporting women, youth and Indigenous Peoples
Beneficiaries:	68 CSOs (in Phase I)

1. Devolving decision making to the lowest appropriate level
2. Addressing structural inequalities
3. Providing patient and predictable finance that can be accessed simply
4. Investing in local institutional capacity
5. Building a robust understanding of climate risk and uncertainty
6. Flexible programming and learning
7. Ensuring meaningful transparency and accountability
8. Collaborative action and investment

Context

CEPF is a global initiative founded in 2000 to support and empower CSOs in developing countries and transitioning economies to protect the world's biodiversity hotspots and deliver sustainable development.

A joint programme of l'Agence Française de Développement, Conservation International, the European Union, the Global Environmental Facility, the government of Japan and the World Bank, CEPF provides investment for CSOs — including NGOs and academic organisations, independent government bodies and the private sector — in the world's biodiversity hotpots. In each hotspot, CEPF identifies a regional implementing team (RIT) to serve as an intermediary to deliver finance to civil society and other organisations operating at national or subnational levels. Globally, the programme has distributed more than US$243 million in grants to 2,500 CSOs working to conserve biodiversity and support sustainable livelihoods in 25 of the world's 36 biodiversity hotpots.

CANARI serves as the RIT for CEPF's investment programme in the Caribbean Islands Biodiversity Hotspot. CEPF has delivered two investment programmes in the Caribbean, with CANARI serving as the financial intermediary and providing technical support to grantees. In Phase I (2010–2016), CEPF awarded US$6.9 million in grants to 68 CSOs and other groups across the Caribbean, leading to the protection and management of nearly 470,000 hectares in key biodiversity areas. Though the focus was on biodiversity conservation, several grantees' projects focused on protecting ecosystem services to help communities adapt to the impacts of climate change and build resilience. Phase II (2021–2026) builds on extensive consultations with governments and civil society groups, which highlighted the increasing importance of climate change adaptation and ecosystem services to local communities. As a result, climate resilience is a key investment priority under three of the five strategic pillars of CEPF's investment plan: ecosystem management, supporting sustainable livelihoods, and protecting endangered species. Phase II will provide US$11.8 million in grants to CSOs and other groups. It will support CSOs to tackle underlying drivers of vulnerability and to restore and protect ecosystems, by investing in ecosystem-based adaptation, such as managing and restoring mangroves, coral reefs and watersheds, and in sustainable livelihoods in agroforestry, apiculture and agribusiness.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

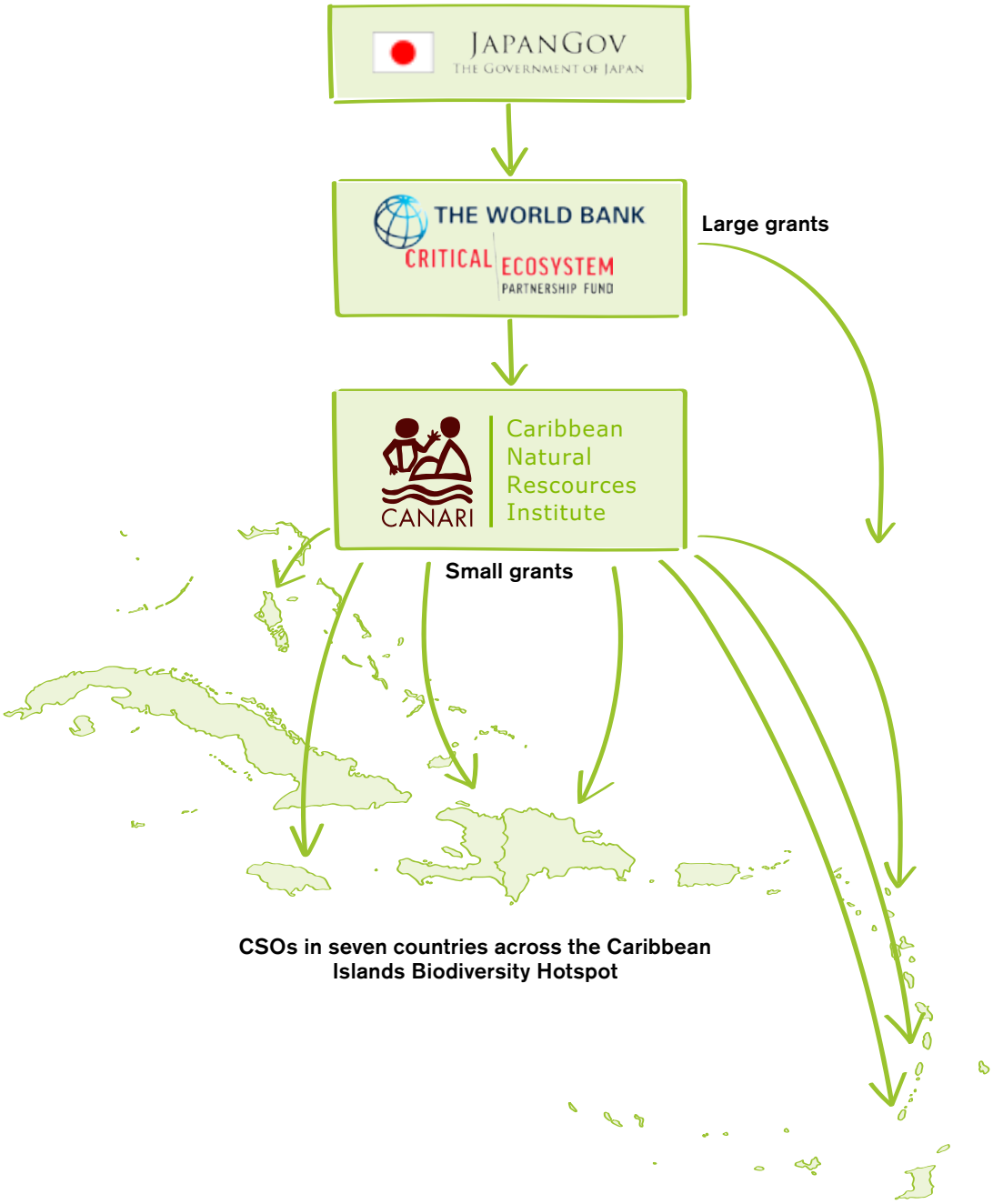
Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

CEPF has a simple financial delivery model to channel funds from global to local level. Figure 9 outlines its financial delivery model for Phase II in the Caribbean.

Phase II is funded by the government of Japan and channelled through the World Bank, which provides finance to CANARI in the form of a grant. As CEPF RIT in the Caribbean, CANARI acts as financial intermediary, administering the grant-making and capacity-building programme. CANARI and the CEPF secretariat develop the requirements and criteria for grant making so that finance is delivered in line with CEPF's investment strategy, the Ecosystem Profile (CANARI 2019), and the World Bank's results framework for the CEPF Caribbean Programme. CANARI, in conjunction with the CEPF Secretariat, then issues an open call for proposals to CSOs and other groups across the region, encouraging them to develop a proposal and apply for a grant. They can apply for a small or large grant: up to US$50,000 for 12–18 months or US$50,000–1,000,000 for up to three years. CANARI directly administers and disburses the small grants, while the CEPF secretariat administers the large grants, with support from CANARI.

Figure 9. Financial delivery model of CEPF Phase II in the Caribbean



Alignment with LLA Principles

CEPF provides finance for biodiversity conservation, ecosystem management, climate resilience and sustainable livelihoods. As an initiative that puts money directly into projects run by CSOs at the local level, its work in the Caribbean can provide important learning on how to support LLA.

Table 8 highlights the ways in which CEPF's Caribbean Programme supports LLA, showcasing its alignment with four of the eight LLA Principles. As well as supporting capacity building and institutional strengthening in local CSOs, it has taken on board learning from Phase I and conducted extensive consultations to support the priorities of Caribbean CSOs and governments. Through coordinated action, it avoids duplicating other initiatives to strengthen ecosystem management and help local communities to adapt to the impacts of climate change.

Table 8. CEPF Caribbean programme: alignment with the LLA Principles

LLA Principle
2. Addressing structural inequalities
CEPF's Phase II seeks to avoid, minimise or mitigate social risks by both using and promoting participatory approaches, a gender-sensitive approach, strong social communication processes and beneficiary feedback mechanisms, to ensure inclusion and active participation of beneficiaries from disadvantaged and vulnerable groups and to avoid any kind of discrimination and exclusion that might be present in the current system in target countries. Phase II continues to include a specific focus on gender equality, consistent with CEPF's gender policy. Grantees apply a gender tracking tool to self-assess if, and to what extent, gender considerations are integrated into their programme and operations. Gender issues and considerations are actively incorporated throughout the grant-making process, and CANARI supports monitoring progress on gender-related outcomes as well as capacity building on gender issues.
4. Investing in local institutional capacity
Phase II is designed as a grant-making and capacity-building programme, with significant resources and time devoted to building the capacity of grantee CSOs across the Caribbean through organisational strengthening and technical training. CANARI supports CSOs to develop and comply with policies on environmental and social safeguards and provides training on gender, financial management, project management, risk assessments, reporting and other topics where capacity needs are identified. It also provides training on approaches to biodiversity conservation, nature-based solutions such as ecosystem-based adaptation, and climate risk assessments. Capacity support can include one-off trainings, mentoring, small grants for learning-by-doing and peer learning.
6. Flexible programming and learning
Phase II is built on an extensive dialogue and consultation with over 175 stakeholder from 94 organisations within civil society, government, the private sector and donor community in the Caribbean. Phase II targets CSOs and other organisations in seven Caribbean Islands Biodiversity Hotspot countries. Taking on board lessons from Phase I, Phase II has a strong focus on climate adaptation and resilience.
8. Collaborative action and investment
CEPF's investment strategy involves using its limited resources to target biodiversity conservation activities in places and for actions that do not receive funding from other funders. To avoid duplication and deliver tangible results for ecosystem management, species conservation and sustainable livelihoods, it focuses its finance primarily on terrestrial ecosystems, since significant funding is already aimed at marine ecosystem management in the region. Its regional approach ensures coordinated action across the Caribbean, led by the RIT at CANARI, which has deep understanding of and strong relationships with CSOs, governments and communities across the Caribbean.

Lessons learnt on business unusual

CANARI's experience managing CEPF in the Caribbean region across two funding cycles provides several important lessons on how to fund and support LLA. Here, we highlight three lessons for funders and implementing entities.

Lesson 1: Funders. Although multilateral funders still tend to favour international intermediaries, regional or national intermediaries are often more effective at supporting LLA through partnerships at the local level. Having a trusted intermediary on the ground is crucial for supporting LLA, as they have established relationships with local actors, understand the context and know implementing partners' capacity strengths and limitations.

Lesson 2: Funders. When designing regional or national programmes, funders should take the time to conduct a broad and extensive consultation process to co-design investments with regional, national, subnational, community and civil society groups. CEPF's consultation process took almost two years, and while this caused some delays in initiating Phase II, it helped build consensus across the Caribbean on the types of investment that CEPF should support. As a result, it ensured the programme was responsive to stakeholders' needs and that there was critical buy-in from all groups.

Lesson 3: Implementing entities. It is not enough to provide finance to local NGOs and CSOs; these organisations often need support and training in a range of organisational and technical areas. Providing tailored support to local implementing partners — including training on project management, financial management training, gender, risk assessments and other forms of institutional strengthening — is vital.

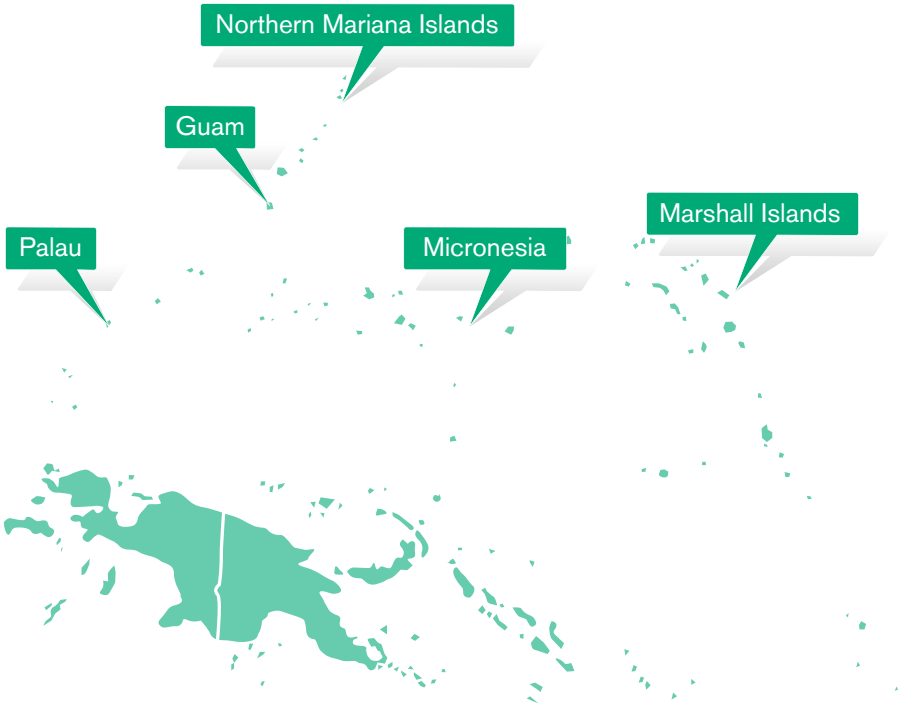
Further reading

CANARI (2021) CEPF Regional Implementing Team for the Caribbean Islands Biodiversity Hotspot. Critical Ecosystem Partnership Fund. https://canari.org/civil-society-and-governance/cepf-regional-implementation-team/

CANARI (2019) Ecosystem Profile: The Caribbean Islands Biodiversity Hotspot. Critical Ecosystem Partnership Fund. https://tinyurl.com/3a76ef2y

CANARI (2016) Effective support for Caribbean civil society for biodiversity conservation and rural development: Results and recommendations from the Critical Ecosystem Partnership Fund 2010–2016. CANARI Policy Brief 22. www.canari.org/wp-content/uploads/2015/04/22-CEPF-prog-results-recommendations-ENG.pdf

8. Micronesia Conservation Trust (MCT)



Geography	Pacific
Countries	Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Republic of Palau, Republic of the Marshall Islands, US Territory of Guam
Climate hazards	Tropical storms, coastal erosion, sea level rise, temperature rise, drought, coral bleaching, ocean acidification
Theme	Ecosystems, sustainable livelihoods
Delivery mechanism	Civil society: regional fund (with EDA from the GCF and Adaptation Fund)
Financial instrument	Grants
Finance amount	US$20 million in grants and US$30 million in endowments
Target group	Remote, rural and underserviced communities
Beneficiaries	Over 100 communities across Micronesia


1. Devolving decision making to the lowest appropriate level

2. Addressing structural inequalities


3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty


6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability


8. Collaborative action and investment

Context

Founded in 2002 as a conservation trust fund in the Federated States of Micronesia, MCT is a regional NGO with a mission to provide finance and strengthen organisational and leadership capacity to help Micronesian communities and decision makers conserve the health of the oceans and islands that are their home. In 2006, the leaders of five states and territories in Micronesia — the Federated States of Micronesia, Republic of Palau, Republic of the Marshall Islands, US Territory of Guam, and the Commonwealth of the Northern Mariana Islands — launched the Micronesia Challenge,[4] a commitment to conserve at least 30% of near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020. In 2019, regional leaders increased this target to 50% of marine resources and 30% of terrestrial resources by 2030, in alignment with the Sustainable Development Goals, and added new commitments to support livelihoods, promote integrated fisheries management, combat invasive species, promote financial investment and reduce risks from climate impacts. They selected MCT as the financial mechanism for the Micronesia Challenge, prompting it to restructure as a regional organisation supporting initiatives across the five states and territories. MCT manages the endowment for the challenge, which has grown to US$30 million, held in trust for future conservation investments by participating national and territorial governments.

Over the past 20 years, MCT has grown into a regional organisation with a trusted network of local partners delivering a variety of projects and initiatives. As well as the Micronesia Challenge endowment, it serves as a financial intermediary delivering finance to the local level for projects across Micronesia. Its investments are designed to support three inter-related strategic priorities: conservation of marine and terrestrial resources; sustainable livelihoods; and climate resilience.

To affect progress in these areas, MCT brings financial resources to the local level and helps grow the capabilities of local institutions and partners across Micronesia, including NGOs, CSOs, communities, local governments, marine or forest management groups and church groups. MCT provides finance to these groups through a grant-making programme where local communities design and implement projects that meet there needs. MCT also provides ongoing capacity building to its local partners – in the form of project management, financial management and M&E training - to strengthen local institutions. MCT's investment has enabled communities to:

- Develop management plans for marine protected areas, mangroves and so on
- Manage protected areas, through ecosystem-based adaptation solutions, scientific marine species monitoring, enforcement and so on
- Monitor and combat invasive species
- Promote environmental education
- Build sustainable livelihoods, through aquaculture, agriculture and so on, and
- Improve fishery management.

Overall, MCT has supported communities to respond to current climate impacts, tackle underlying drivers of vulnerability and restore and protect their coastal and marine ecosystems.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

4 http://themicronesiachallenge.blogspot.com

Financial delivery model

MCT has a sophisticated financial delivery model, accessing finance from various sources, including governments across Micronesia, philanthropic foundations, bilateral funders, and multilateral climate funds — for example, as an accredited entity to the GCF and Adaptation Fund. It delivers this finance through multiple instruments, including:

1. **Endowments:** MCT manages a US$30 million endowment for the Micronesia Challenge, capitalised through finance from Micronesian governments, bilateral funders and philanthropic foundations. As they meet agreed milestones, participating state and territorial governments can access annual dividend payments from the endowment to invest in conservation, livelihoods and climate resilience. Governments are updating the endowment's sustainable finance plan and have set a target to increase it to US$56 million.

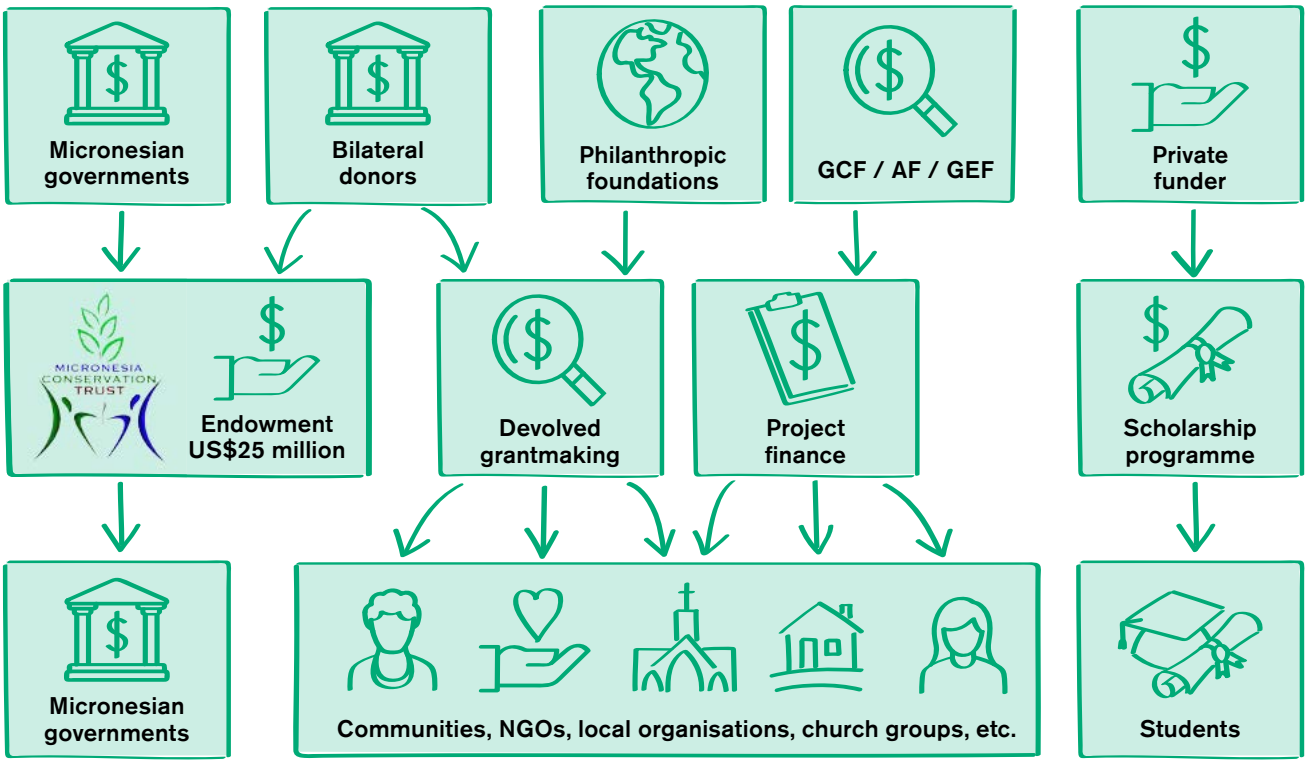
2. **Grant-making programme:** MCT delivers grants to local governments, communities, CBOs, NGOs, church groups and other local groups, sourced from foundations and bilateral funders and delivered via an open call for proposals for local partners. MCT can establish specific grant-making programmes or windows, depending on funders' thematic criteria.

3. **Intermediary grant-making:** As an accredited entity to the GCF and Adaptation Fund, MCT disburses finance from these global funds to local-level initiatives as grants, serving as project manager and fund manager. Among others, it is delivering US$9.4 million in GCF funds and US$1 million from the Adaptation Fund (accessed using EDA) to support climate-resilient agriculture and protected area management across the Federated States of Micronesia.

4. **Scholarships:** MCT manages a scholarship endowment, capitalised by an anonymous private donor, private foundations and Micronesian governments, to fund post-secondary degrees for students across Micronesia.

MCT provides approximately US$2 million per year to the local level for investing in conservation, livelihoods and climate resilience, including US$250,000 through its grant-making programme and US$80,000 in scholarships. It is also implementing US$10 million in programmes funded by the GCF and Adaptation Fund. Since its inception, MCT has delivered at minimum US$25 million to the local level.

Figure 10. MCT's financial delivery model



Alignment with LLA Principles

MCT's work provides a unique perspective for analysing LLA. As a regional organisation in an area with low population density and strong community and personal networks, MCT is relatively close to the communities and local organisations it supports. As such, it can understand the needs and perspectives of local groups, support them with finance and capacity building, and advocate on their behalf at the global level. MCT also has a global network of partners and funders — including regional governments, bilateral funders, multilateral climate funds and philanthropic organisations — that finance conservation and climate action around the world. As a trusted intermediary between local and global actors, MCT is uniquely positioned to deliver action for communities across Micronesia. On the one hand, it has proven its ability to meet the fiduciary needs of international partners, as witnessed by its accreditation to the GCF and Adaptation Fund. On the other hand, it can help communities understand the daunting array of national, regional and international processes for accessing finance, so it makes sense to actors at the local level. MCT has stayed nimble and highly accessible to its local partners, and helps them access finance in volumes that are practical for what they can absorb and implement.

MCT supports LLA by devolving decision making, providing patient support that builds capacity and strengthens local institutions, supporting flexible programming and aggregating finance at regional level to deliver coordinated support for conservation, sustainable livelihoods and climate action. Table 9 showcases its alignment with five of the eight LLA Principles.

Table 9. MCT: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
Through its small granting scheme, MCT delivers grants to municipalities, communities, NGOs, church groups, traditional leaders and other local groups, which are responsible for designing and implementing their own projects. For example, under the Adapting to a Changing Climate: Guide to Local Early Action Planning (LEAP) initiative, MCT provides guides, workbooks, fact sheets, flipcharts, training videos and other materials to support community-based adaptation to climate change, allowing communities to prioritise and develop the adaptation activities they want. MCT supports the development of local early action plans and the funding of LEAP actions.
3. Providing patient and predictable finance that can be accessed simply
MCT does not provide long-term finance for seven or more years, since the NGOs and CBOs in Micronesia do not have the capacity to absorb large amounts of finance and long-term projects. Rather, it typically delivers small grants of US$10,000–50,000 over periods of up to 18 months. But it does provide patient and regular support to its partners, so they have consistent access to finance. Due to their small number and tight-knit nature, MCT has been able to establish long-term relationships and collaborations with local conservation NGOs and CBOs. Having worked in many communities for 20 years, it has built strong relationships of trust with these stakeholders. As such, it is well connected to financing needs on the ground and can build these needs into funding proposals to international funders as requests for support.
4. Investing in local institutional capacity
A long-term partner of CBOs across Micronesia, MCT has worked to strengthen these institutions over time so they can build capacity to implement local conservation, livelihood and climate adaptation projects. Its dedicated capacity-building programme conducts regular one-to-one and group trainings for its local partners on project and financial management, enforcement, M&E and other topics.
6. Flexible programming and learning
Its strong and ongoing relationships with local partners and communities means that MCT can offer flexible support to projects, allowing them to alter their vision, change project activities and extend implementation timelines as needed. Globally, MCT has influenced the flexibility of its funders, particularly the Adaptation Fund. First, it helped shape how the Adaptation Fund structures its accreditation process, after highlighting, along with the South African National Biodiversity Institute (SANBI), the difficulties smaller, local-level organisations faced when applying to the fund. This feedback prompted the Adaptation Fund to introduce the EDA modality, allowing subnational and regional organisations to get accreditation. Second, it initiated the first flexible Adaptation Fund subgranting initiative, where the fund agreed to finance an open subgranting call without a list of preselected list beneficiaries and projects. This was the first time the Adaptation Fund provided open-ended finance. After MCT agreed that it would only finance projects that complied with specific thematic, geographic and climate risk criteria, the Adaptation Fund agreed to provide more flexible finance it could deliver as subgrants to local organisations.

LLA Principle
8. Collaborative action and investment

MCT finances projects that are built on collaboration between local actors, including local government, civil society, community groups, church groups, and traditional leaders to implement community conservation, livelihoods and climate risk management initiatives. At the regional level, it acts as a financial intermediary, using its resources to deliver internationally funded projects across Micronesia. It has also supported funders that are new to the Pacific to develop funding strategies that align with regional initiatives.

Lessons learnt on business unusual

Through its 20-year history, MCT has supported and financed groundbreaking work by communities and local organisations on conservation, sustainable livelihoods and climate adaptation. Funders, regional bodies and implementing entities can learn many lessons from MCT, including those highlighted here.

Lesson 1: Funders can learn that in areas with low population density and dispersed communities, channelling money through a trusted regional organisation can help improve efficiency through a coordinated response that pools money from various sources. Regional organisations have extensive partnerships with local organisations and communities, making them more intimately connected to realities on the ground than outsiders. Local stakeholders will also be more comfortable partnering with intermediaries that understand the local context who will keep their best interests central in the partnership.

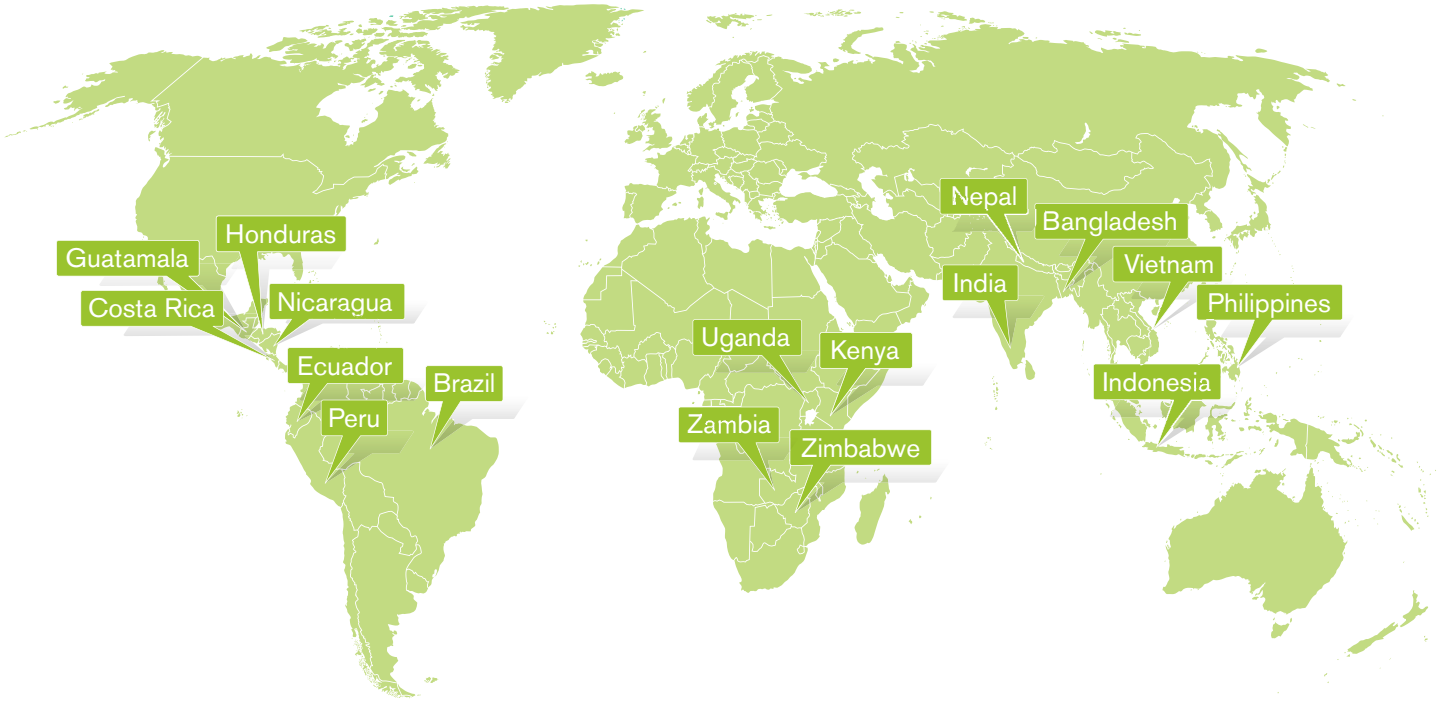
Lesson 2: Implementing entities should trust communities to know the solutions to their own problems, based on local and Indigenous knowledge. Although these solutions may seem counterintuitive to outsiders, they are grounded in local experience. What works in one location may not work in another, so implementing entities need to be sensitive to local needs and listen to communities who know their context and can propose the solutions that work best for them.

Further reading

Gastelumendi et al. (2012) Case Study Report: Micronesia Conservation Trust. A joint TNC/UNDP/MCT working paper. https://tinyurl.com/384c6wc8

Micronesia Conservation Trust. www.ourmicronesia.org

9. Huairou Commission's Community Resilience Fund (CRF)



Geography	Global
Countries	Bangladesh, Brazil, Costa Rica, Ecuador, Guatemala, Honduras, India, Indonesia, Kenya, Nepal, Nicaragua, Peru, Philippines, Uganda, Vietnam, Zambia, Zimbabwe
Climate hazards	Floods, droughts, hurricanes, typhoons, landslides
Theme	Food security, infrastructure, disaster preparedness, livelihoods, land
Delivery mechanism	Civil society: constituency-governed fund
Financial instrument	Grants
Finance amount	US$200,000 to $550,000 annually
Target group	Grassroots women
Beneficiaries	21 organisations across 17 countries and 15,000 women


1. Devolving decision making to the lowest appropriate level


2. Addressing structural inequalities

3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity


5. Building a robust understanding of climate risk and uncertainty


6. Flexible programming and learning

7. Ensuring meaningful transparency and accountability


8. Collaborative action and investment

Context

Huairou Commission is a women-led social movement working with grassroots groups around the globe to empower women, promote women's participation in local community-development decision making and deliver inclusive, just and resilient communities.

The commission supports grassroots women's organisations through the CRF, an innovative, flexible financing mechanism that provides grants to grassroots women's organisations of various sizes operating at national and subnational levels in different countries. These include women's federations, self-help groups, NGOs, savings and credit groups, producer organisations, and CSOs. Huairou Commission members range from large federations of grassroots women's organisations, self-help groups, cooperatives and producer groups to facilitating NGOs that work directly with grassroots women's groups or women-led organisations. They work across multiple sectors, from land, food security and agriculture to livelihoods, climate resilience, health, water and sanitation

Local organisations use CRF funds to map risks at community level, make collective plans to respond to climate and disaster threats, invest in strategies that build resilience, support peer learning, build leadership capacity for women leaders to advocate for their development needs, and forge partnerships with local governments that enable grassroots women to influence, drive and participate in development processes.

The CRF empowers grassroots women's groups to make individual and collective decisions on the types of investment that can build resilience and withstand the impacts of climate and disaster risks. Its investments have supported:

- **Enhancing food and income security through climate-smart agriculture:** Encouraging climate-resilient farming practices on farms and homestead or kitchen gardens by diversifying crops, using organic inputs and growing medicinal plants and herbs to secure food and incomes during disasters, including the recent COVID-19 pandemic.
- **Diversifying and enhancing livelihoods:** Supporting enterprise development and other innovations to combat insecurity in grassroots women's livelihoods, which is exacerbated by recurring climate and disaster risks.
- **Community infrastructure, nature-based solutions and environment protection:** Upgrading and maintaining community infrastructure and protecting the environment through soil rehabilitation, afforestation, water management, and so on, to improve the everyday quality of life in impoverished settlements and enhance resilience.
- **Securing land ownership:** Offering women opportunities to invest in the land in ways that build resilience and protect the environment to enhance their access, control and use of assets.
- **Disaster preparedness and emergency preparedness:** Helping women map and assess community-level risks, develop early warning systems, promote risk education and information-sharing, and build partnerships with local and national disaster risk management authorities.

The CRF therefore enables grassroots women to tackle the underlying drivers of vulnerability and to restore and protect ecosystems that their livelihoods are build on. The CRF is guided by a common theory of change collectively developed by members: the four-part leadership and movement-building resilience diamond (Figure 11). This tool, which underpins Huairou Commission's Strategic Plans and each member's own workplan, has enabled all implementing partners to situate their locally identified priorities within a common framework.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

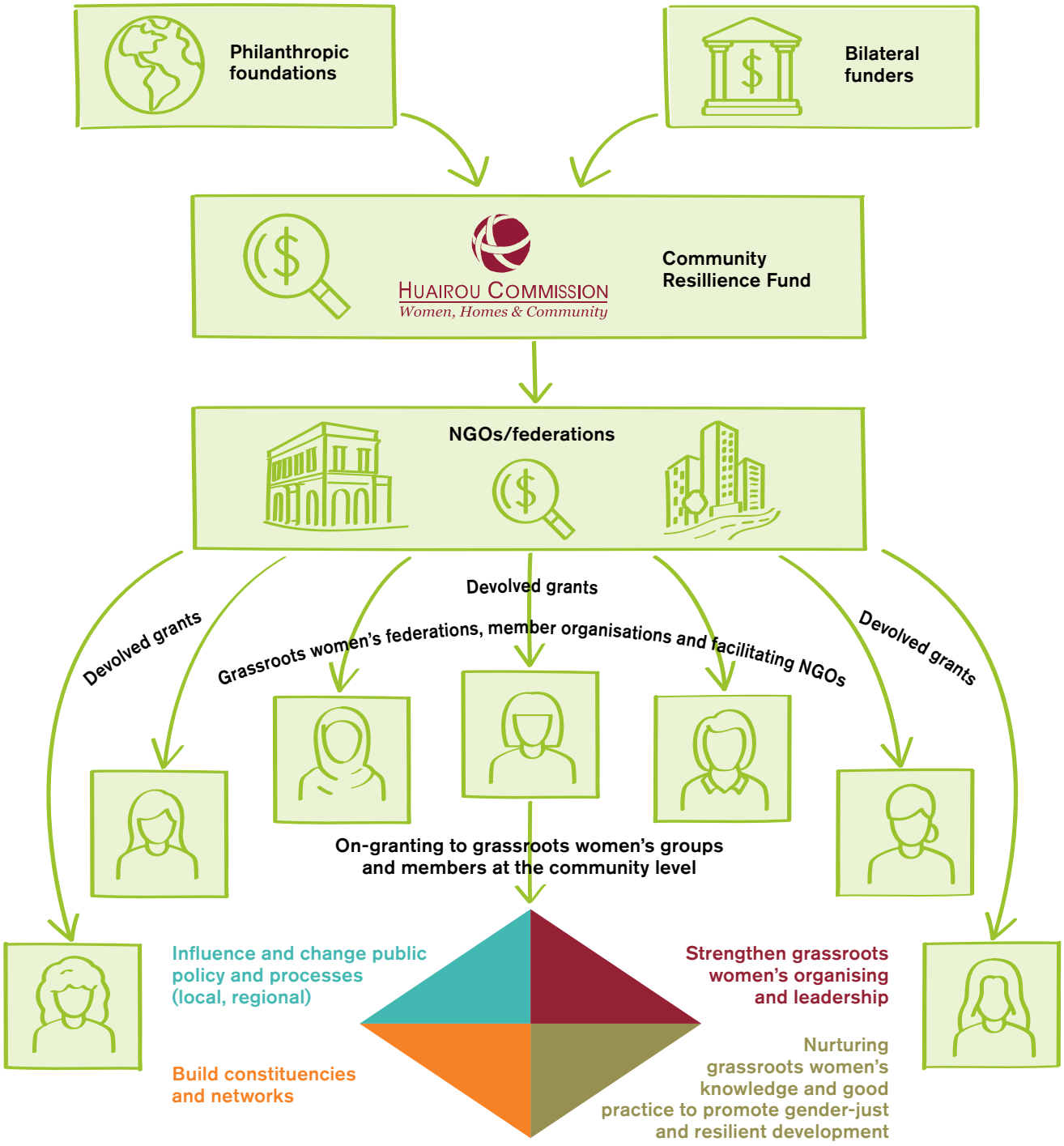
Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

Capitalised by grants from bilateral funders and philanthropic foundations, the CRF is a mechanism that delivers finance to grassroots women's organisations for investment in climate resilience (Figure 11). Each year, it puts out a call for proposals for grassroots women's groups to apply for funding. Huairou Commission members can apply by submitting a short application and business plan, with commission staff working with grassroots partners to co-develop applications where necessary. Typical grants are US$15,000–30,000 and are dispersed over a 12-month period. From 2016 to 2021, the CRF disbursed finance to 21 member organisations in 17 countries. In 2020–21, another 24 groups accessed finance through a specific COVID window with annual budgets ranging from US$1,000 to US$7,000.

Figure 11. CRF's financial delivery model



With diverse constitutions and governance structures, its members each have their own unique delivery model. But all are informed by common guidelines that stipulate establishing a CRF committee within the organisation and clear criteria for re-granting funds to their members to ensure downward accountability. CRF committees disburse funds as grants to smaller member organisations or individual women who are members of their organisations.

Grassroots women's groups and individuals have used CRF finance to invest in local adaptation measures, leadership development, institutional strengthening and creating partnerships with local institutions. By providing groups with access to finance and support to strengthen financial management systems, the CRF has enabled women to leverage more funds and resources from formal financial institutions and government.

Alignment with LLA Principles

The CRF has empowered grassroots women around the globe to deliver resilience investments and forge partnerships with local agencies to improve their participation in development, supporting a range of organisations with differing capacity levels. It shows strong alignment with the LLA Principles, devolving decision making to grassroots women and empowering traditionally marginalised women to be active leaders and agents of change in their communities. By investing in their organisations, it helps to build a robust understanding of local climate risks and identify appropriate resilience investments, supporting experimentation and learning, and partnering with government and other stakeholders at the local level in a way that transforms power dynamics to promote women's more inclusive and equitable participation in development.

The CRF supports a range of groups who vary in size, scale and capacity. Table 10 showcases the CRF's alignment with six of the eight LLA Principles. Grassroots women's organisations that showcase strong alignment to the LLA Principles generally are those with higher levels of capacity.

Table 10. CRF: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
As a flexible financing mechanism, the CRF puts money in the hands of grassroots women's groups to invest in pro-poor resilience practices. These practices publicly demonstrate grassroots women's leadership in countering the challenges of climate change and thereby build grassroots women's credibility and strengthen their voices in local planning and agenda setting.
2. Addressing structural inequalities
The CRF provides direct, local-level support to grassroots groups — particularly women in risk-prone and resource-poor communities — to advance resilient practices. It helps women gain access and control over productive assets like land, natural resources and finance, and access government resources and information. It also helps women's organisations build networks and coalitions to foster learning and amplify their voices and expertise. With improved access to productive assets and networks, women can be leaders and active agents of change in development. Improved visibility, dialogue, advocacy and active efforts to forge partnerships helps shift power relationships and enable women to participate in development initiatives. In 2018, Huairou Commission transitioned its governance structure from one led by professionals to a governing council with 70% of seats held by representatives of grassroots women's organisations. This has supported the maturation of bottom-up planning and decision making within the movement and put grassroots women at the centre of decision making.

LLA Principle
4. Investing in local institutional capacity
The CRF aims to strengthen grassroots women's organisations through direct institutional support and by providing funds for grassroots organisations to improve their financial management and accounting processes to ensure they can access and manage larger amounts of funding in the future. It aims to strengthen women's leadership capacity as an integral facet of building community resilience, publicly positioning grassroots women as experts and leaders in the eyes of their own communities, government institutions and other actors. It also promotes local leadership and community ownership of adaptation through peer exchanges, leadership training, mentorship, and direct roles in experimenting and delivering local development initiatives that benefit women and their communities.
5. Building a robust understanding of climate risk and uncertainty
At the community level, CRF resources are used to systematically map climate risks and vulnerabilities to disasters, including those arising from climate change. These maps create a shared awareness of risks, which serve as the basis for prioritising investments in adaptation practices, capacity building and advocating for institutional change. This repositions women and their organisations as knowledge holders and experts who can leverage government resources to build resilient solutions. Some grassroots groups partner with local government and meteorological departments to access and use climate information for adaptation planning and decisions.
6. Flexible programming and learning
By putting flexible resources in the hands of grassroots women's groups, the CRF allows women to test solutions and learn from their failures, while also supporting scaling-up and replication. It also invests heavily in peer learning to strengthen resilience practices and learning, allowing grassroots leaders and their organisations to learn to navigate government institutions and systems to identify opportunities for engagement and partnership. Giving grassroots women greater control over CRF governance and management also allows them to flexibly deploy funds in response to unanticipated crises, as evidenced by the use of CRF resources to address women's priorities during the COVID-19 pandemic. In 2020–21, Huairou Commission's leadership took the decision to make smaller sums of money (US$1,000–7,000) available to a wider number of members who had not previously received finance through the CRF. Members led a transparent process of vetting proposals based on mutually agreed criteria. The review committees actively promoted solidarity and inclusivity, with mature CRF implementers organising clinics to support newer groups to strengthen their workplans and budgets. This gave an additional 24 member organisations access to flexible financing, promoting resilience through the pandemic.
8. Collaborative action and investment
With CRF resources, grassroots women's groups develop adaptation practices that transform livelihoods, create assets, impact the environment and build resilient communities. The capacity to mobilise and deliver effective local development for women, vulnerable groups and communities begins to shift entrenched power imbalances, with grassroots women demonstrating that they can be active leaders and agents of change in their communities. This, in turn, opens the door for women's organisations to increase their collaboration with the government as partners in local development, and increasingly include them in both formal and informal development processes.

Lessons learnt on business unusual

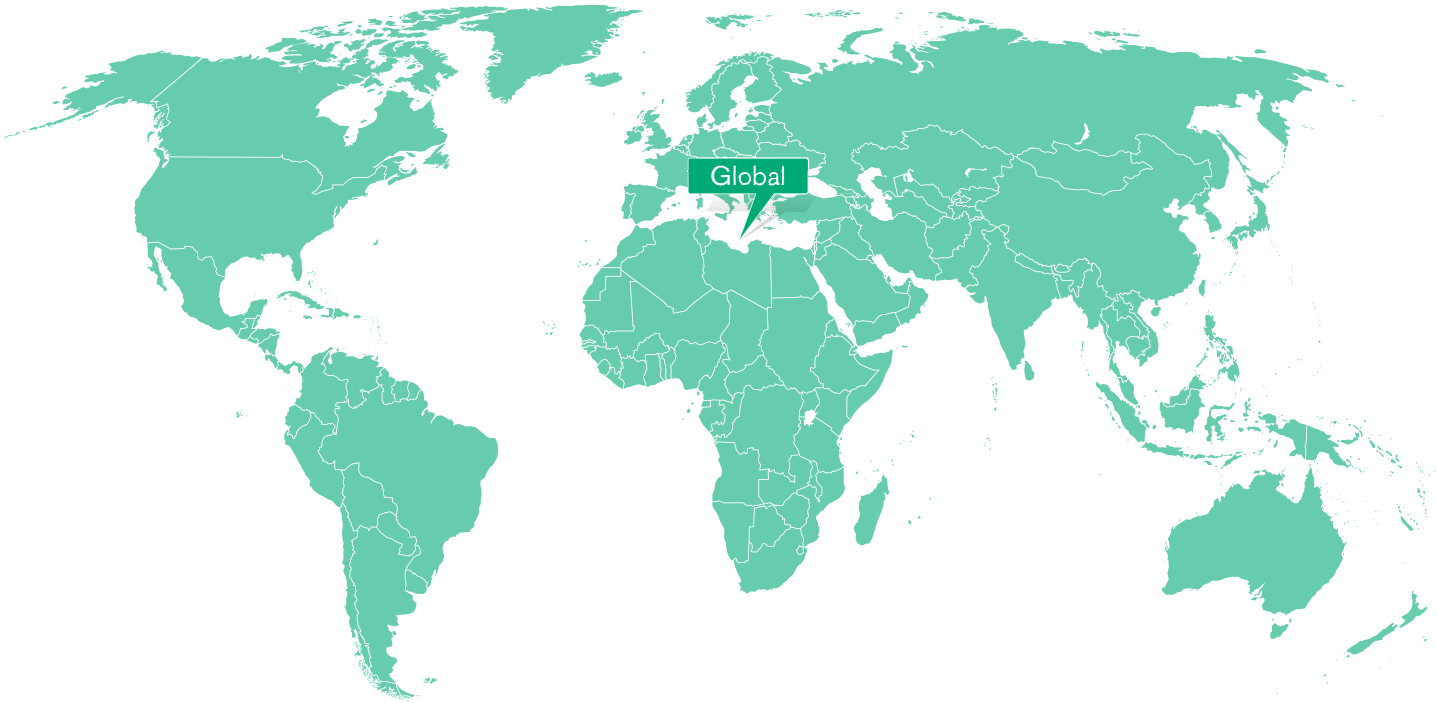
The CRF can serve as an important model on how to empower grassroots organisations to deliver LLA while gaining greater influence in public decision making. Through its extensive experience supporting grassroots women's groups in Asia, Africa and Latin America, Huairou Commission has developed important lessons for funders on how to support collective action at the local level.

Lesson 1: Funders. Grassroots organisations are viable intermediaries that can deliver finance directly to the local level for investing in climate-resilient development. Funders need to better understand their transformative power for investing in local resilience and build partnerships with grassroots groups to channel finance to the local level.

Lesson 2: Funders use terms such as 'readiness', 'innovation' and 'transformation' to indicate their desire to be early investors in testing new solutions and mechanisms to create systemic shifts in the response to climate change. But they need to move away from technocratic solutions that involve establishing new funds or disbursement modalities and instead provide more holistic support for LLA directly to groups on the ground that can deliver solutions if they are adequately resourced. Learning from the experience of grassroots organisations, climate funders can reframe their thinking around:

- **Readiness**, by helping local groups build their institutional capacity based on self-identified capacity needs, recognising that significant capacity often already exists. This could involve the co-creation of procedures that meet donors' underlying needs but better suit the structures and processes of grassroots federations.
- **Innovation**, by focusing on patient and flexible capital with real room for failure and collaborative learning between grassroots organisations, rather than solutions that favour technology and digital products.
- **Transformation**, by transforming power relationships between excluded people and grassroots groups, rather than focusing on large geographic coverage and volumes of finance.

10. Pawanka Fund



Geography	Global
Countries	64 countries
Climate hazards	Drought, floods, erosion, tropical storms, wildfires, windstorms, rainfall variability
Theme	Indigenous knowledge, ecosystem management, food security
Delivery mechanism	Civil society: constituency-governed fund
Financial instrument	Grants
Finance amount	US$3 million per year
Target group	Indigenous Peoples
Beneficiaries	379 grants supporting 261 organisations in 64 countries


1. Devolving decision making to the lowest appropriate level


2. Addressing structural inequalities


3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty


6. Flexible programming and learning


7. Ensuring meaningful transparency and accountability

8. Collaborative action and investment

Context

The Pawanka Fund — a Miskitu word meaning 'growing and strengthening' — is a global Indigenous-led fund that supports the self-determined development of Indigenous Peoples and revitalisation of traditional and Indigenous knowledge and learning systems in North America, Latin America, Asia, Africa, the Arctic, the Pacific and Russia.

Pawanka provides finance directly to Indigenous communities, organisations and networks through a grant making programme, focused on three broad themes:

- **Protecting intangible heritage:** documenting, disseminating, and promoting traditional knowledge and innovations; revitalising language
- **Indigenous Peoples' governance and safeguarding of land, territory, and natural resources:** strengthening climate resilience; territorial and natural resource management; Indigenous women's and youth's participation and leadership in local organisations; and the Wayfinders circle[5]
- **Recovering from COVID-19:** Indigenous food systems; health and wellness; and economic recovery.

The fund was primarily established to support the recovery and revitalisation of Indigenous knowledge systems, which are intrinsically linked to the natural resources and ecosystems where Indigenous Peoples have lived for thousands of years. Since these critical ecosystems and resources are threatened by the impacts of climate change, Pawanka provides finance for Indigenous Peoples to build resilience and adapt to these threats. This support for climate resilience includes: documenting knowledge on food systems, such as plants, seeds and natural resources, that have supported Indigenous Peoples to adapt and thrive; strengthening Indigenous governance systems and institutions for protecting and managing ecosystems such as forests and water resources; and developing disaster risk management plans. Overall, the Pawanka Fund helps Indigenous Peoples to respond to current climate variability, tackle the underlying drivers of vulnerability and restore and protect ecosystems.

Since 2015, Pawanka has supported more than 300 projects across 60 countries and developed partnerships with more than 270 Indigenous Peoples.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

Pawanka uses a simple delivery model to channel finance from the national to the local level, receiving finance from philanthropic organisations and distributing this money through a grant-making process to Indigenous communities, organisations and networks around the world (Figure 12).

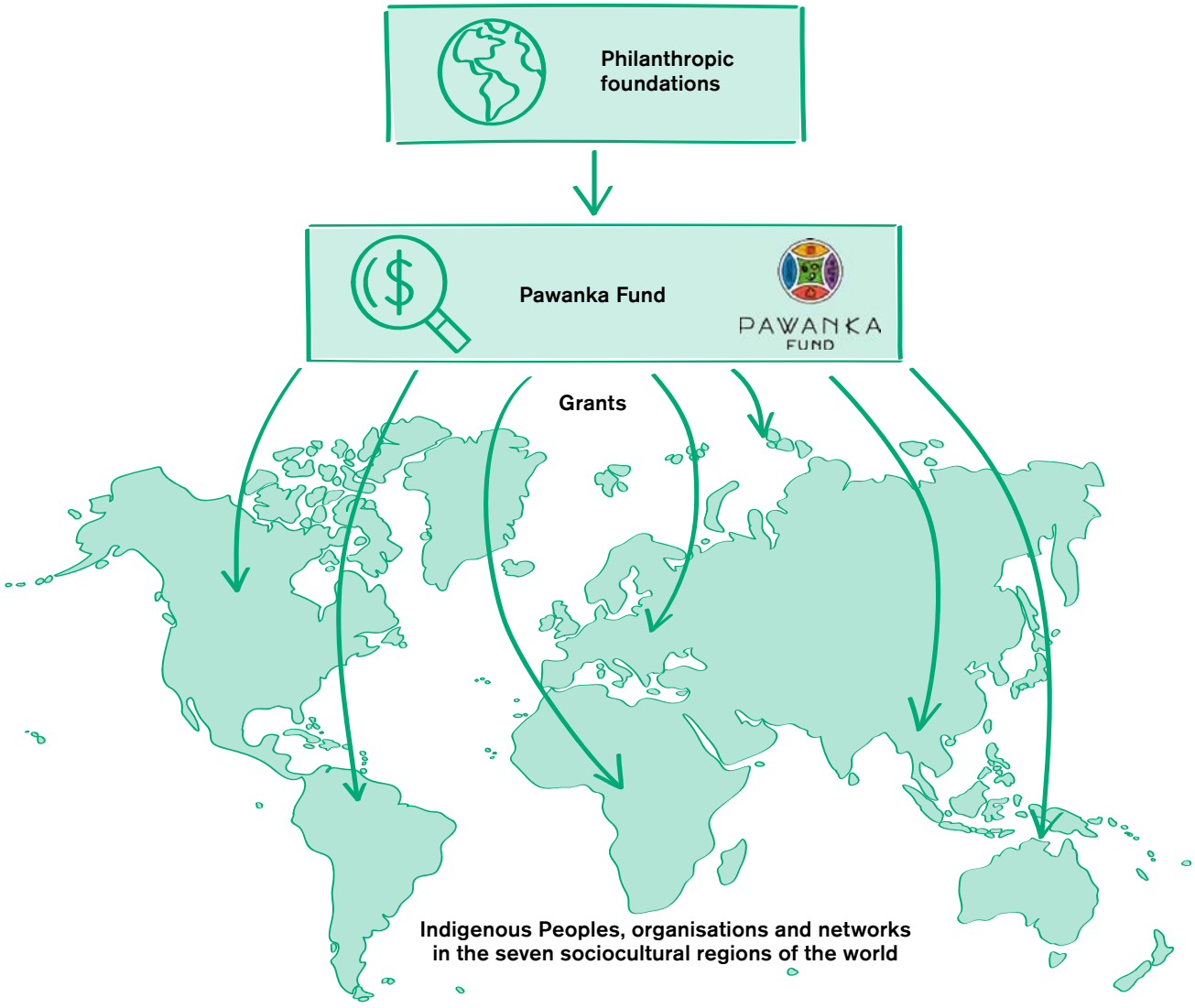
One of Pawanka's innovations is that it does not issue open calls for its grant-making programme. Instead, Indigenous communities, organisations or networks approach Pawanka to begin a partnership, or vice versa. Pawanka's Guiding Committee assesses requests and examines all potential partnerships through a cultural due diligence process that uses eight criteria to ensure requests align with the ethos of mutual trust and social recognition that characterise partnerships between Indigenous organisations. Once the committee collectively approves a partnership, it invites the new partner to submit a proposal based on its own self-identified needs.

5 A collaborative initiative and platform created by the Pawanka Fund and Nia Tero with the guidance of the Council of Elders of the World Union of Indigenous Spiritual Practitioners, the **Wayfinders Circle** supports and gathers together Indigenous guardians from around the world who protect their lands, waters and territories. A learning network, it is dedicated to investing in Indigenous wayfinders and sharing pathways for human societies to achieve ecological, social, cultural and spiritual harmony.

Proposals can be linked to a range of thematic areas, from health and wellbeing to food, intergenerational dialogue, revitalising language, climate resilience, water, resource management and emergency finance.

Pawanka provides approximately US$3 million a year in grant funding to its partners. Projects typically range from US$10,000–50,000, with smaller grants also available for capacity building. In 2021, Pawanka made 75 grants to Indigenous communities and organisations around the world. By 2022, it hopes to increase this to 100 grants a year.

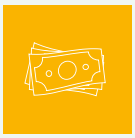
Figure 12. Financial delivery model of the Pawanka Fund



Alignment with LLA Principles

An Indigenous-led fund that provides finance to Indigenous communities and organisations around the globe, Pawanka is based on solidarity and partnership, providing a unique lens for understanding LLA. The purpose of the fund, its governance structure, the actions it finances, its flexibility and longer-term vision of partnership, the voice and profile it brings to people who are often left behind in development processes, its commitment to transparency and accountability, and the way it supports Indigenous institutions and the preservation of culture make the fund unique among organisations that support LLA. Table 11 highlights the ways in which Pawanka supports LLA, showcasing its alignment with six of the eight LLA Principles.

Table 11. The Pawanka Fund: alignment with the LLA Principles

LLA Principle	
1. Devolving decision making to the lowest appropriate level	
	Pawanka provides finance directly to Indigenous communities and organisations to implement initiatives based on needs they have identified.
2. Addressing structural inequalities	
	Pawanka seeks to address the limited finance that reaches Indigenous Peoples (Zapata and Grouwels 2022) by providing funding for revitalising Indigenous knowledge and culture, and supporting Indigenous communities and organisations to exercise self-determined governance over their own development and manage their natural resources. At the global level, Pawanka works to transform international philanthropy and funding, to foster new partnerships and ensure that the Indigenous values of reciprocity, complementarity and solidarity are integrated into financial decision making.
3. Providing patient and predictable finance that can be accessed simply	
	Pawanka provides patient finance through long-term partnerships with Indigenous groups and their institutions around the world. As a fund that supports process, rather than projects, its application procedures to access finance are simple. Although it typically provides small-scale (US$10,000–50,000) finance for 12 months, it recognises that change processes are long-term and require long-term investment. Pawanka is committed to providing repeat finance to its partners over multiple years, so they can continue to invest in traditional knowledge and work on multiple strategic priorities over time.
4. Investing in local institutional capacity	
	Pawanka provides direct financial support to Indigenous communities and organisations to strengthen their traditional governance systems so they exercise self-determination over their own development. It also supports the improved access and participation of women and youth within traditional Indigenous governance and decision making, recognising that Indigenous institutions are evolving systems that can create equitable spaces where different groups can participate equally. Finally, its Lokahi Fund (from a Hawaiian word meaning 'united and in agreement') provides dedicated finance for training and support to local institutions on financial management, governance, human resources, legal documentation, translation and professional services.
6. Flexible programming and learning	
	Pawanka provides flexible and adaptable processes for accessing, implementing and monitoring the initiatives it finances. To simplify and improve access to the grant application process, it also provides technical assistance to partners to fulfil legal and administrative requirements. Pawanka allows its implementing partners to extend project timelines and apply for new grants in subsequent funding windows based on further needs identified by Indigenous communities and local organisations. This showcases Pawanka's longer-term commitment to its partners to provide ongoing support as new needs emerge over time. During the COVID-19 pandemic, Pawanka also developed a dedicated emergency response finance mechanism for its partners to protect Indigenous food systems, health and wellness, and support economic recovery. From a learning perspective, Pawanka has developed a unique monitoring, evaluation and learning process, framed as a mutual learning experience where partners and the fund enrich each other. This monitoring and evaluation (M&E) process incorporates an Indigenous-defined set of data collection tools and indicators for evaluation and uses culturally appropriate methods to collect, analyse and share any data collected.

LLA Principle
7. Ensuring meaningful transparency and accountability

Pawanka has a unique approach to promoting accountable partnerships, developed from the principles of mutual trust and recognition between Indigenous groups. Its cultural due diligence process comprises eight criteria — including a commitment to wellbeing and self-determination, an emphasis on traditional knowledge, fostering equality between men and women, and supporting Mother Earth — to guide partnership endorsement, project selection, relationship mentoring, M&E and learning processes. Rather than create an open call for proposals under its grant-making programme, Pawanka co-develops initiatives with different Indigenous communities and organisations around the globe and commits to longer-term engagement. At introductory meetings, both parties confirm their commitment to the eight cultural criteria that guide Pawanka's work and discuss strategic goals for both organisations. It then invites the new partner to apply for finance under one of its thematic funding streams. As part of its capacity-development support, Pawanka offers mentoring to strengthen partners' administrative and accounting systems.

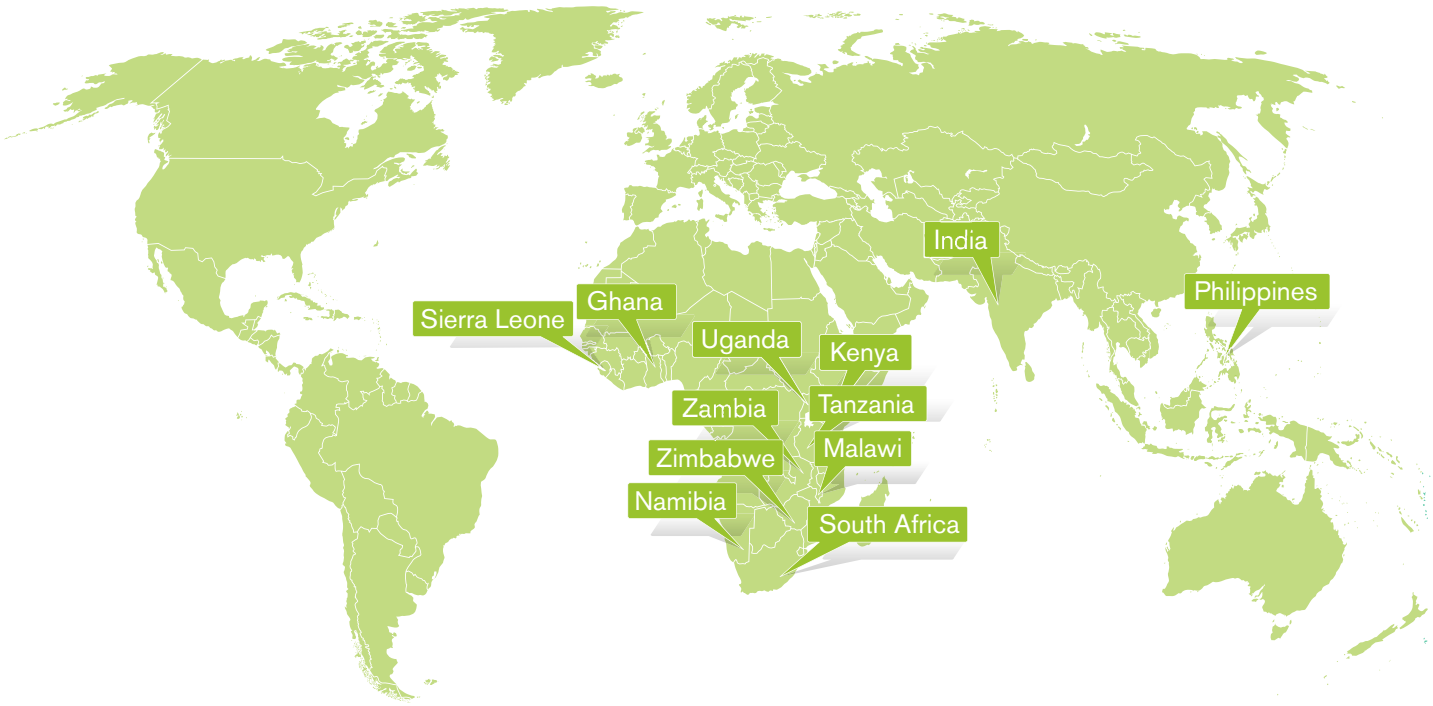
Lessons learnt on business unusual

Funders and implementing entities of adaptation initiatives around the world can learn from Pawanka's experience, even if they do not specifically support Indigenous groups. Two lessons in particular stand out.

Lesson 1: Funders. Constituency-governed organisations like Pawanka offer an extensive network to form long-term strategic financing partnerships built on trust and solidarity. These types of organisations are effectively aggregating the voices of marginalised communities and distributing patient finance to the local level in a quick and streamlined process that aligns with the needs and capacities of local people. Funders can amplify this action by supporting constituency-governed organisations to get money directly to Indigenous communities and other vulnerable groups so they can meaningfully invest in actions that help address their systemic marginalisation and climate vulnerability.

Lesson 2: Implementing entities and funders. Although it may not have started with a focus on climate, Pawanka's experience demonstrates that local and Indigenous Peoples have critical knowledge and understanding that they need to build resilience. They are intimately connected to the landscapes they inhabit and the reality on the ground of how to build sustainable livelihoods and prosperous societies. They have deep pools of knowledge based on the solutions that their ancestors developed. But they often lack the resources to implement the solutions they need, due to structural inequalities and legacies of colonialism. Pawanka highlights that funders should move on from any sense that they empower communities; communities empower themselves based on their own resilience. Funders and implementing partners can support this process with finance in a spirit of partnership and solidarity.

11. Urban Poor Fund International (UPFI)



Geography	Global
Countries	Ghana, India, Kenya, Malawi, Namibia, Philippines, Sierra Leone, South Africa, Tanzania, Uganda, Zambia, Zimbabwe
Climate hazards	Water, floods, extreme winds, landslides, drought, heat, other extreme events
Theme	Ecosystem management
Delivery mechanism	Civil society: constituency-governed fund
Financial instrument	Revolving fund, grants and soft loans, with subsidised interest rates
Finance amount	US$87 million since 2007
Target group	Urban poor
Beneficiaries	More than 276,000 families

1. Devolving decision making to the lowest appropriate level
2. Addressing structural inequalities
3. Providing patient and predictable finance that can be accessed simply
4. Investing in local institutional capacity
5. Building a robust understanding of climate risk and uncertainty
6. Flexible programming and learning
7. Ensuring meaningful transparency and accountability
8. Collaborative action and investment

Context

Over one billion people live in informal urban settlements around the world. And they are often excluded from formal financial systems and denied access to the resources they need to move out of poverty and build resilience to climate-related risks and extreme events. SDI, a global civil society movement founded in 1996 that works to improve the lives of the urban poor, operates as a federation of community organisations in 20 countries and nearly 400 cities across Africa, Asia and Latin America.

SDI is managed by a secretariat headquartered in Cape Town, South Africa, and governed by a council of federations made up of nominated grassroots leaders from affiliated federations. Its finance facility, the UPFI, provides capital to national urban poor funds for SDI federated members and their communities to invest in local initiatives that improve living conditions and reduce poverty in informal settlements.

Established in 2007, it grew out of savings networks and microcredit groups that combine funds to make quick loans to community members. A second, significant impact of this finance was to leverage state and market resources to support housing upgrades, tenure rights and service provision at city level. As well as leveraging additional resources to supplement savings, grassroots savings can raise collective bargaining and negotiate power, elevating the urban poor to become agents of their own development.

The UPFI addresses the drivers of vulnerability of the urban poor, making finance directly available to the urban poor, and elevating their concerns and perspectives so they are included in more formal processes related to urban governance. This approach acknowledges that, as central actors in urban development and poverty eradication, the poor are best able to decide and co-manage their own urban improvement programmes. The UPFI helps households and communities plan for and implement their own adaptive strategies and is a fully scalable model, despite its dependence on external grants to top up finance levels.

The UPFI builds resilience to the climate risks faced by the urban poor at individual, household and community levels. The UPFI supports the urban poor to respond to current climate variability and to tackle the underlying drivers of vulnerability. First, it enables local people to determine and respond to hazards — including landslide, extreme winds, drought, flooding, extreme heat, and issues around water and sanitation — in both the home and the community. By giving them access to finance, it also raises their general adaptive capacity. Second, it facilitates collective action and participation in formal processes that can improve regulation and planning for otherwise informal and marginalised places. This leads to slum improvements in response to specific climate risks.

By 2021, the UPFI had disbursed nearly US$87 million to fund 238 projects, benefiting over 276,000 families across six thematic areas (see Table 12).

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Table 12. UPFI: thematic project distribution

Thematic area	Number of projects
Water and sanitation	67
Public amenities	8
Land tenure	11
Other infrastructure	22
Livelihoods	8
Housing	122

Recipients have used the financing to avoid eviction, challenge relocation to worse areas, which could increase climate risk exposure, fund secure risk-reducing structural improvements and enhancements and ensure basic service supplies to reduce vulnerability (Khan 2014).

Financial delivery model

The UPFI raises funds from bilateral donors and philanthropic foundations and uses these to capitalise national urban poor federations. The latter then pool these resources with financial contributions from community savings groups and provide grants and loans to individual households for specific investments in response to urban challenges. This effectively establishes local-level finance facilities, making credit available to those who would not have access through formal channels, institutionalising financial flows among and between community members.

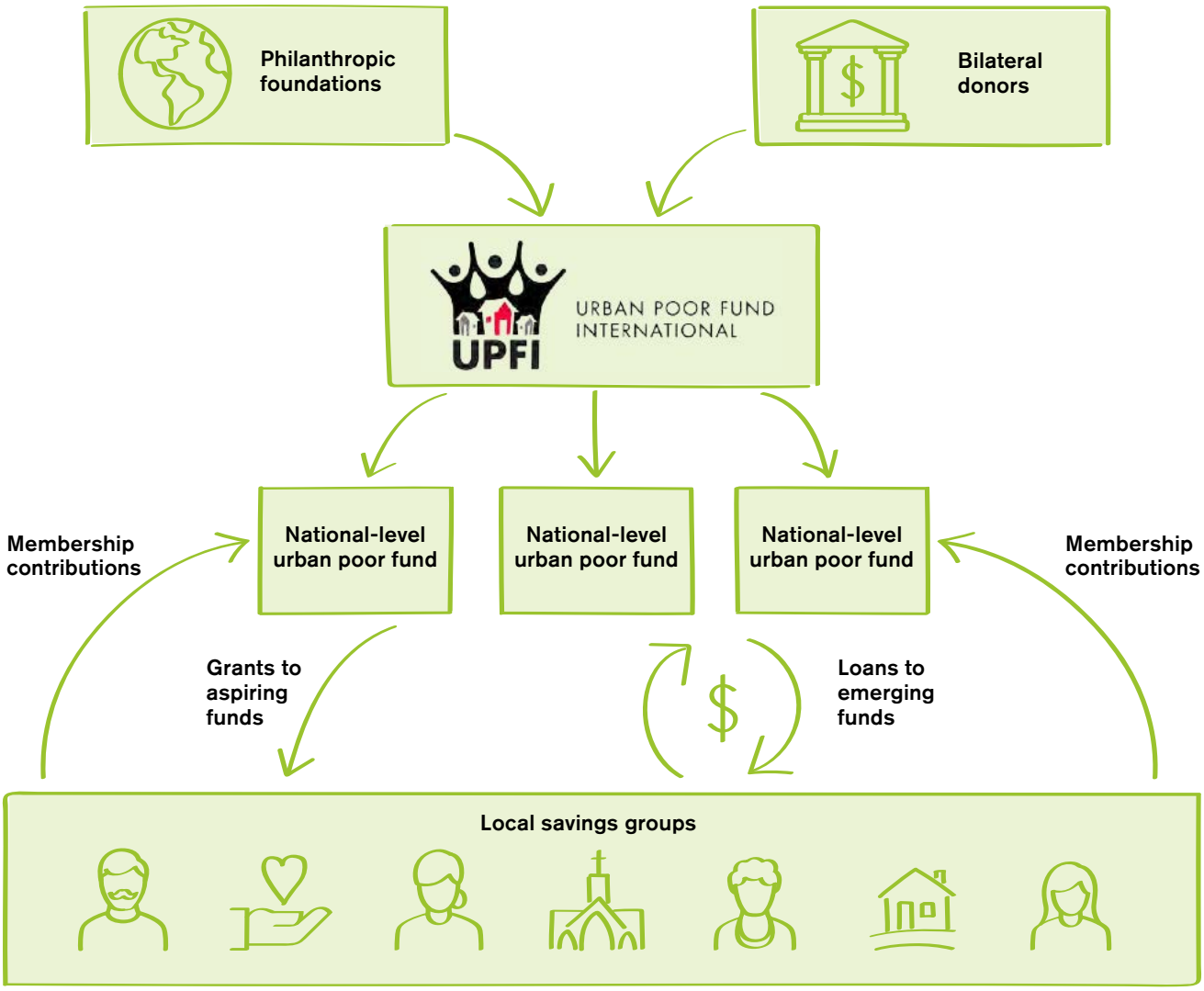
Loan recipients repay part of their loans to national federations. However these funds are not fully recouped. The funds that are repaid are used to build liquid equity in national federations, making them autonomous and self sustaining. As a result, the UPFI has a net outflow of cash, which SDI has sought to replenish with external finance from philanthropic organisations and bilateral development cooperation. The Bill and Melinda Gates Foundation is its largest individual supporter.

Figure 13 summarises this finance delivery model. The way that money is delivered to recipients varies depending on the nature of the local and national funds, which are broadly of three types (Bolnick 2016):

- **Aspiring funds:** Formed by local savings groups, these can support small-scale community initiatives. And because every cent of available capital is community-owned, there is local accountability, transparency and trust, but these funds cannot finance settlement-wide upgrading or new housing. The UPFI uses aspiring funds for learning projects, and there is minimal cost recovery.
- **Emergent funds:** These are possible where federations have the capacity to raise and manage external funds and blend them with federation savings, enabling them to scale up co-production of tenure, services and housing, The UPFI uses emergent funds for precedent-setting projects, and some cost recovery is possible.
- **Mature funds:** These financial instruments are co-managed by communities and government, increasing the possibility of influencing state policy and expenditure. They channel resources from the state and can exploit commercial opportunities in slum upgrading. The UPFI uses mature funds for cost recovery and income generation projects, as it is it possible to recover 100% of costs for reinvestment.

The UPFI tries to maintain a balance between outflows of cash with external resources and a capital allocation strategy that varies by type of fund.

Figure 13. UPFI financial delivery model



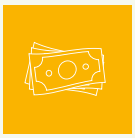
Alignment with LLA Principles

The UPFI addresses pervasive structural barriers to access to finance and adaptation opportunities and shows how to effectively and efficiently make money available to poor urban households. It provides variable finance, with emergent funds receiving patient and flexible support for community activities that involve multiple risks that formal financial institutions would avoid. This approach overcomes access to finance issues for underserved groups and helps them develop and implement interventions to raise resilience in households, the wider community and even across cities. The approach empowers people to articulate their own needs and define their own roles in planning and implementing activities.

The UPFI provides a reliable circulation of finance within national-level urban poor funds, so funding is reliable and long term. It helps scale up projects and allows federations to leverage additional resources. Through technical assistance and by giving local actors a central planning and implementation role, it builds skills and addresses structural inequalities.

Table 13 highlights the ways in which the UPFI supports LLA, showcasing its alignment with five of the eight LLA Principles. In particular, it provides patient and predictable finance and builds up institutional capacities to engage in formal financial processes. By empowering grant recipients to plan and implement their own ideas for building resilience, it is an excellent example of devolving decision making to the grassroots. These combine to address two linked structural inequalities associated with access to finance for national institutions and the urban poor.

Table 13. UPFI: alignment with the LLA Principles

LLA Principle	
1. Devolving decision making to the lowest appropriate level	
	The UPFI channels finance to national federations, building up vital intermediaries to better support households and communities. This approach is a good example of strengthening a national-level structure, as the most appropriate level of actor, leading to better outcomes for local actors. Providing grants to the local level empowers decision making and accountability for using finance in response to specific, individual adaptation needs. The UPFI acknowledges that the poor are central actors in urban development and poverty eradication and are best placed to determine and implement their own urban development programme. It elevates the concerns and perspectives of the urban poor by redefining slum dwellers' relationship with the state and their municipality as well as investors and banks. This gives them a collective voice and therefore negotiating power, enabling their greater inclusion in formal financial processes.
2. Addressing structural inequalities	
	The institutional structure of cities marginalises the urban poor, from how cities are planned (so the poor occupy hazardous land parcels), to how services are made available (giving the poor limited access), to planning regulations (so the poor are extorted or harassed by authorities and exposed to environmental harms). This is compounded by financial lending restrictions and exclusion from political decision making, which impacts on education outcomes, financial opportunities and the safety and comfort of their homes. The UPFI model addresses two different structural inequalities. First, it represents the perspective and concerns of the urban poor in formal processes and forums at the city or national level. By strengthening national federations as financial intermediaries, it enables them to better participate in financial processes, negotiate with government partners and other financial actors and generally operate more sustainably, improving service delivery or gaining slum upgrades. Second, it breaks structural barriers by providing patient finance to local-level actors, giving capital to people who would otherwise lack access to finance or risk indebtedness. By promoting localised finance facilities, it also spreads these benefits further.
3. Providing patient and predictable funding that can be accessed more easily	
	The UPFI model provides soft loans with loose repayment schedules and informal cost recovery. Compared to formal funders, there is less pressure for repayment and lower risk of indebtedness. The model circulates high levels of finance, and loan recipients return money to the national or local funds on their terms. Access is simple and quick, with minimal vertical accountability to national federations or the UPFI. The UPFI deliberately has minimal oversight, trusting loan recipients to decide how to use the money.
4. Investing in local institutional capacity	
	The UPFI builds institutional capacities in both national and local federations, and raises local groups' collective bargaining and negotiating power as they gain access to formal financial, planning and decision-making processes. It also helps federations leverage local, state and market resources, growing the pool of money available to local actors and groups.

LLA Principle

6. Flexible programming and learning

The UPFI allows poor community members to access finance on terms determined by their needs, rather than rigid top-down rules of formal financial institutions. The flexible provision of resources to national federations via its capital allocation strategy ensures that reliable and patient reserves of capital circulate within countries. For aspiring funds, this supports exploratory learning activities to try new ideas without any pressure to repay finance.

Because the UPFI empowers national-level urban poor funds to flexibly manage the resources at their disposal, different funds can grow and develop while taking on more risk and generating or crowding in more resources in time. There is less onus on recouping finance, as the objective is to promote self-sustaining and autonomous pools of capital so they can provide patient capital. Within the limits of the focal project areas, grant recipients also have a large degree of autonomy over how they use the finance, so they can innovate and take risks.

Lessons learnt on business unusual

The UPFI model prioritises the rights of the urban poor, who are structurally marginalised, excluded and often unable to avoid living in informal settlements. The UPFI develops people's long-term capacity to respond and builds their agency by growing networks to boost representation, and it finances direct actions in communities that improve housing and other basic services. It is radically bottom-up in its governance and implementation, and by making the urban poor the central agent of change and putting money directly in their control, challenges many of the inefficiencies and inequities of traditional development assistance. Its approach provides several important lessons for funders, national governments and implementing entities.

Lesson 1: Funders can support LLA by providing capital to national-level urban poor funds via mechanisms like the UPFI. This is an extremely effective and efficient means of supporting highly vulnerable groups and building more resilient cities.

Lesson 2: National governments should note how the UPFI promotes cost-effective and autonomous improvements in urban contexts and introduces regulatory changes that support the urban poor. The UPFI model requires minimal intervention from national governments, but highlights the important role they can play in introducing regulatory reform to address urban challenges.

Lesson 3: Governments, funders and implementing entities. The urban poor are clearly knowledgeable and capable of developing and implementing solutions to address many of the issues they face. Providing finance to grassroots organisations and households represents excellent value for money. The added value of the UPFI approach is in combining this access to finance for otherwise marginalised recipients with structural reform to national finance systems and increased negotiation capacity for national federations. This can lead to regulatory changes — such as relaxed building codes for slum and shack dwellers — and thus help communities build resilience to climate-related risks.

Further reading

Schermbrucker, N, Patel, S and Keijzer, N (2016) A view from below: what Shack Dwellers International (SDI) has learnt from its Urban Poor Fund International (UPFI). *International Journal of Urban Sustainable Development* 8(1) 83–91.

Urban Poor Fund International. http://www.upfi.info/home/

12. BRAC: EMPOWER

Geography	Asia
Country	Bangladesh
Climate hazards	Heatwaves, tropical cyclones, floods, erratic rainfall, sea level rise
Theme	Housing
Delivery mechanism	Civil society: microfinance
Financial instrument	Revolving fund
Finance amount	US$575,000
Target group	Climate migrants, urban poor, youth, municipal officials
Beneficiaries	1,650


1. Devolving decision making to the lowest appropriate level


2. Addressing structural inequalities


3. Providing patient and predictable finance that can be accessed simply


4. Investing in local institutional capacity

5. Building a robust understanding of climate risk and uncertainty

6. Flexible programming and learning


7. Ensuring meaningful transparency and accountability


8. Collaborative action and investment

Context

The Intergovernmental Panel on Climate Change's sixth assessment report predicts that, in the coming years, Bangladesh will face frequent rainfall, floods, tropical cyclones, sea level rise and heatwaves. This is inevitably leading to an increase in numbers of climate migrants, forced by the impacts of climate change to resettle in a new location, losing their community and belongings. As climate migration increases, the number of people living in informal settlements in cities is rising, increasing pressure on housing, water supplies, sanitation, healthcare, education, drainage facilities and other basic services.

BRAC is the world's largest development NGO and aims to empower people and communities who are impacted by poverty, illiteracy, and social injustice. In 2016, it launched its Urban Development Program to enhance urban poor communities' accessibility to affordable basic services and productive livelihoods. EMPOWER is one of the initiatives that BRAC operates under it's Urban Development Programme. EMPOWER delivers LLA by supporting climate migrants to build community-led, climate-resilient housing. Safe housing for climate migrants and low-income communities is a key driver for poverty alleviation, livelihood enhancement, employment opportunities (particularly for women), access to public services and social cohesion. Above all, safe housing helps build resilience to climate change, disasters and other shocks. EMPOWER enables the urban poor to raise their voices and take collective actions to increase their rights and entitlements, enhance their access to affordable and quality basic services, and strengthen urban governance institutions for inclusive, accountable and pro-poor urban management and planning. Overall, EMPOWER supports people to respond to current climate impacts and tackles vulnerability by enabling climate migrants to build resilient houses for their families after relocating to urban areas.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

Financial delivery model

EMPOWER provides finance for poor households to design, upgrade and build climate-resilient and cost-effective housing. Under EMPOWER, BRAC works with vulnerable communities to establish local savings institutions and larger-scale savings federations that can mobilise and pool finance from international sources and community members for investing in climate-resilient housing. Figure 14 shows the structure of its financial delivery model.

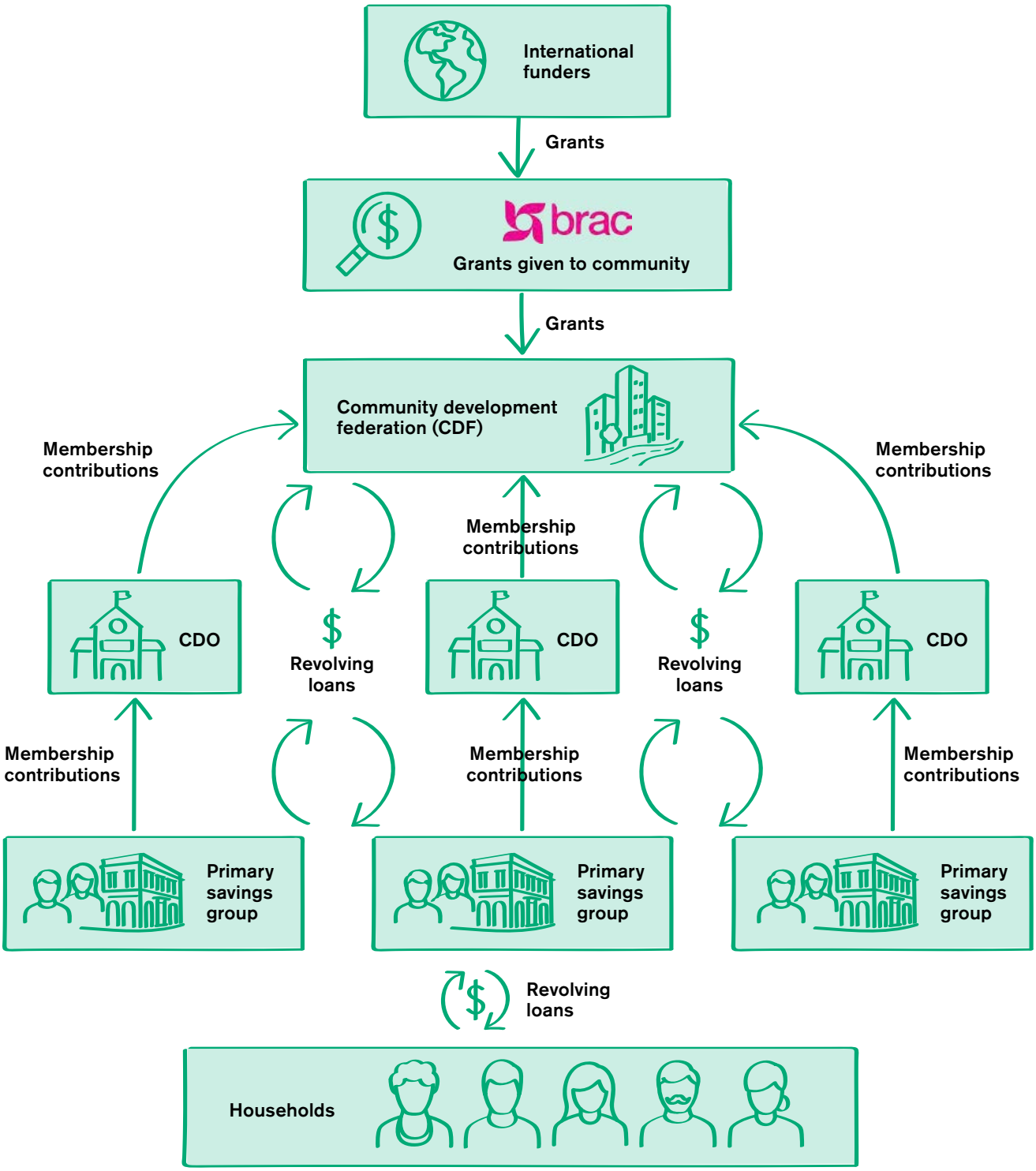
The formation of primary savings groups is the first step in mobilising local communities about climate change to build cost-effective, climate-resilient housing. Primary groups consist of 20–25 members, which may come from multiple communities. The primary groups elect representatives from their group to join community development organisations (CDOs), which are made up of representatives from many different primary groups. CDO members come from low-income communities and are often climate migrants, women, disabled people and widows. CDOs are aggregated into city development federations (CDFs), city-level institutions that act as umbrella groups for a large number of CDOs and their constituent savings groups.

International funders provide finance to BRAC, which offers seed capital to capitalise dedicated funds in CDFs for climate-resilient housing for vulnerable urban households. Membership fees from households in primary groups are collected by CDOs to contribute to the capitalisation of CDF funds. CDFs use a revolving fund to give loans to individual households to invest in climate-resilient housing. Households can use the funds to buy land, upgrade or renovate existing houses, or build new ones. Participating households pay back the money in monthly installments, with a 6% annual service charge, which the CDF then loans out to new households.

In addition to providing finance, BRAC also supports CDO members to conduct participatory settlement improvement planning exercises and local risk assessments. BRAC also supports households to plan and design their housing upgrades, to identify local climate change-aware builders and to prepare loan proposals to the CDF.

In its first phase (2016–2021), EMPOWER was initiated in 20 cities, 12 city corporations and 8 municipalities. The second phase (from 2022) has been limited to six city corporations and six municipalities, after BRAC received reduced funding from the UK's Foreign, Commonwealth and Development Office.

Figure 14. EMPOWER financial delivery model



Alignment with LLA Principles

One of EMPOWER's key objectives is to enhance and enable access to basic services for urban poor and low-income communities. It devolves decision making to low-income climate migrants displaced by floods and cyclones, emancipating community members to raise their voices and take collective action to address the challenges they face in their daily life and become agents of change. EMPOWER also equips women with the skills and confidence they need to stand for election to local governing bodies as ward councillors. Its financing mechanism provides predictable access to finance and transparent processes for local bodies to access finance. It also strengthens local institutions and promotes collaboration between citizens groups in urban poor communities, CSOs and local government. Table 14 showcases EMPOWER's alignment with six of the eight LLA Principles.

Table 14. EMPOWER: alignment with the LLA Principles

LLA Principle	
1. Devolving decision making to the lowest appropriate level	
	EMPOWER works directly with households and low-income communities who are displaced from their homes as a result of floods, cyclones and sea level rise. Affected households engage in designing, planning and building low-cost and climate-resilient housing, water, sanitation and hygiene facilities and other basic services. CDOs and CDFs involve community members in decision making, while community leaders identify priority areas of work and mobilise households to be part of CDO and CDF governing bodies.
2. Addressing structural inequalities	
	CDF leaders, who are 80% women, actively participate in raising awareness in communities and households, and help conduct community risk assessments and action planning for target settlements. EMPOWER supports households that have been displaced by climate-related impacts and need to build more secure housing to address high levels of vulnerability, prioritising housing and infrastructure that supports women, girls, and disabled people.
3. Providing patient and predictable funding that can be accessed more easily	
	CDFs create a simplified funding mechanism with help from community leaders who mobilise contributions from household members, which are added to grants and soft loans from BRAC. It then loans these to low-income climate migrants to build or renovate housing. Managed and governed by community leaders, revolving funds are easily accessible for the local community, who are aware of how much funding is available. Revolving funds are sustainable, as CDFs continue to identify new beneficiaries and use the recovery money to issue new loans.
4. Investing in local institutional capacity	
	BRAC supports the creation of CDOs and CDFs, which continue to exist beyond the duration of EMPOWER. BRAC provides capacity-building support on climate risks, the multiple co-benefits of climate-resilient, low-cost housing facilities, fiduciary management and other issues, building strong local institutions that provide soft loans for other local actors to invest in local adaptation actions.
7. Ensuring meaningful transparency and accountability	
	EMPOWER ensures that households are involved in decision making when accessing loans for building their houses. Clear loan criteria, duration and repayment agreements with community members ensure transparent financial decision making. EMPOWER supports capacity development in participating city corporations and municipalities and uses social accountability tools — such as citizen report cards, public hearings, social audits and the Right to Information Act — to encourage citizens to participate in local governance.

LLA Principle
8. Collaborative action and investment

EMPOWER emphasises coordination at the local level among multiple actors, including BRAC field staff, household members, community leaders and community businesses, such as carpenters, masons, local transportation companies, shops, and so on. Household members and community leaders also build relationships with local government bodies for the first time. The involvement of and collaboration between multisectoral actors improve access to housing for vulnerable groups in urban areas of Bangladesh and can contribute to achieving several Sustainable Development Goals.

Lessons learnt on business unusual

The collaborative approach between BRAC, NGOs, the private sector, local government and communities has created a strong partnership for LLA in urban areas of Bangladesh and provides several important lessons for funders and implementing entities alike.

Lesson 1: Implementing entities should note that bottom-up approaches through constituency-governed organisations are effective in delivering locally led climate action. EMPOWER takes a bottom-up approach to supporting community and household resilience by involving local communities in designing, planning and building resilient urban housing. Strengthening governance in local-level institutions is a key enabling condition, while funding for capacity building in CDFs, CDOs and government bodies is essential to promote local governance, accountability and transparency.

Lesson 2: Funders can increasingly use revolving funds to deliver finance to the local level. Revolving funds help promote local ownership, transparency, accountability and financial empowerment. At the local level, community members contribute their own money to the fund and learn technical skills to access the money and manage the fund, creating a sense of ownership and empowerment. The revolving fund also enables local actors to engage the urban poor in developing and implementing holistic urban growth-focused policy.

13. Fundecooperación para el Desarrollo Sostenible

Geography	Latin America
Country	Costa Rica
Climate hazards	Floods, drought, hurricanes, extreme rainfall, temperature rise
Theme	Agriculture, food security, water security
Delivery mechanism	Civil society: microfinance
Financial instrument	Loans, grants
Finance amount	US$7.7 million since 2006
Target group	Farmers and small enterprises, including women, youth, Indigenous communities and refugees
Beneficiaries	1,589 enterprises, cooperatives and producer groups

1. Devolving decision making to the lowest appropriate level
2. Addressing structural inequalities
3. Providing patient and predictable finance that can be accessed simply
4. Investing in local institutional capacity
5. Building a robust understanding of climate risk and uncertainty
6. Flexible programming and learning
7. Ensuring meaningful transparency and accountability
8. Collaborative action and investment

Context

Fundecooperación is a private non-profit foundation that promotes sustainable development for farmers and small enterprises in Costa Rica, providing finance to enterprises, cooperatives, producer groups and other organisations engaged in economic activities with an environmental commitment. As well as providing access to credit, it supports training needs, helps them develop business plans and supports access to advisory services.

Fundecooperación supports LLA by providing microfinance to local businesses and producer groups to make climate-resilient investments that improve their livelihoods in the face of climate impacts. Fundecooperación operates a specialised credit programme — PRO+CLIMA — that gives enterprises in the agriculture, livestock and tourism sectors access to finance and technical support to invest in climate-resilient measures. Enterprises can apply for finance to invest in working capital, land, equipment, infrastructure, labour, raw materials and other asset purchases or to support adaptation and mitigation investments in agricultural and livestock value chains. This includes protecting livestock and farms from the impacts of extreme weather events by investing in water irrigation, access to food and veterinary services, and improving productivity in coffee, banana, plantain, vegetables and other agricultural value chains.

Fundecooperación therefore supports farmers and enterprises to respond to current climate impacts, tackle underlying drivers of vulnerability and build the resilience of the landscapes that support their livelihoods.

Responding to current climate variability

Tackling the underlying drivers of vulnerability such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses to uncertain climate conditions in the future

Restoring and protecting ecosystems to increase resilience of landscapes and livelihoods

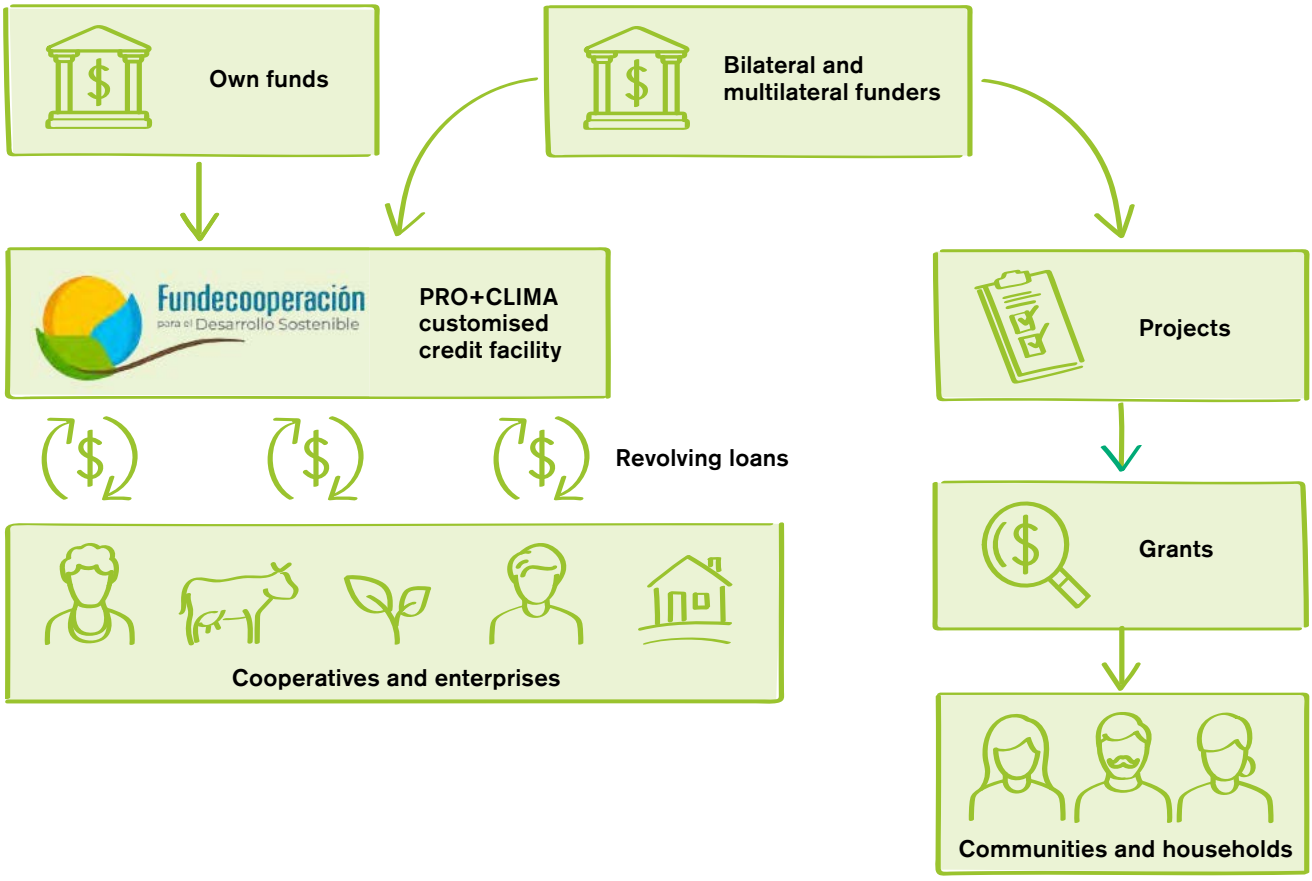
Financial delivery model

Founded in 1994, Fundecooperación was originally a bilateral partnership between the Netherlands and Costa Rica to support farmers with access to finance for investment in their businesses. A decade and more than 200 projects later, the partnership with the Netherlands concluded. The remaining funds capitalised a trust fund managed by Fundecooperación as a revolving fund for the customised credit programme, providing loans to MSMEs that do not qualify for traditional financing. Farmers, enterprises, producer groups and cooperatives can apply to Fundecooperación for specialised credit that enables them to invest in their livelihoods and make them resilient to climate impacts. Since 2006, Fundecooperación has provided approximately US$7.7 million in loans to more than 1,100 enterprises and financial service providers (cooperatives, producer groups) across Costa Rica. Loans typically range from US$800 to US$120,000, and are offered over a maximum ten-year period.

Fundecooperación has matured into a development financial institution that also acts as an implementing entity for sustainable development projects in Costa Rica funded by bilateral and multilateral funders, including the United Nations Environment Programme and other agencies, Germany's Development Cooperation (GIZ), the Spanish government and the Adaptation Fund. Accredited as national implementing entity for the Adaptation Fund in 2012, Fundecooperación is delivering a US$10 million project, Adapta2+, which helps 50,000 people improve their resilience through investments in agriculture, water resource access, coastal areas and capacity building. Fundecooperación has delivered more than US$39 million in grants to the local level as a financial intermediary for bilateral and multilateral projects.

Figure 15 outlines the financial delivery model for Fundecooperación, highlighting how it delivers finance to the local level through its revolving loan facility, and through direct project implementation and grant making as a national implementing entity.

Figure 15. Financial delivery model of Fundecooperación



Alignment with LLA Principles

Fundecooperación supports LLA by providing finance directly to households, enterprises, local organisations and cooperatives so that people at the forefront of climate impacts can invest in climate-resilient livelihoods. Though it implements international projects that can have some elements of devolved decision making, Fundecooperación's PRO+CLIMA customised credit facility is the delivery mechanism that most embodies the tenets of LLA. Table 15 highlights the ways in which the customised credit facility aligns with five of the eight LLA Principles, devolving decision making, addressing traditional barriers by providing simple access to finance for women and Indigenous Peoples, investing in local institutions and offering transparent access to finance.

Table 15. Fundecooperación: alignment with the LLA Principles

LLA Principle
1. Devolving decision making to the lowest appropriate level
PRO+CLIMA allows people to invest in their own climate-resilient solutions at the local level. Through this programme, Fundecooperación provides people, enterprises and local organisations loans and grants to invest in climate-resilient agriculture, livestock and water management, protecting marine and coastal resources, sustainable tourism, restoring ecosystems, and building local institutions' capacity to develop natural resource management plans and early warning systems.

LLA Principle
2. Addressing structural inequalities
Fundecooperación provides finance to people and groups that do not qualify for access to credit through the formal banking systems, including refugees, Indigenous Peoples and women — for example, through Mujeres Natura Credit, a dedicated microcredit programme for women working in biodiversity that supports biodiversity conservation and economic diversification. It also provides technical support to improve participation of women and youth in traditionally male-dominated agricultural and livestock activities.
3. Providing patient and predictable finance that can be accessed simply
Fundecooperación delivers most finance as loans with a five-year repayment period, though some large-scale purchases — for example, of land or for construction projects — can be extended over ten years. Accessing finance is relatively simple, and Fundecooperación supports its clients for the duration of the credit lifecycle, from application through to repayment.
4. Investing in local institutional capacity
As well as providing finance through its customised credit facility, Fundecooperación builds local organisation and beneficiary capacity so they can more easily access and manage finance and develop viable business plans that improve their livelihoods and promote sustainable development. Fundecooperación provides technical support to enterprises when they apply for finance, supporting them to develop business plans and linking them with experts who can advise on selecting appropriate technologies and practices that are tailored to local contexts.
7. Ensuring meaningful transparency and accountability
Fundecooperación provides clear guidance to enterprises who want to access finance through its customised credit schemes. It has clear eligibility requirements, terms and conditions, application process and repayment terms so applicants understand how to access finance. Prospective applicants can talk to financial advisors and gain practical help when completing an application.

Lessons learnt on business unusual

For nearly three decades, Fundecooperación has helped individuals and small businesses access finance to invest in sustainable productive livelihoods in Costa Rica. Working with bilateral and multilateral funders, it delivers finance to the local level through microcredit and grants and supports capacity building at the local level. With this wealth of experience, Fundecooperación has developed strong learning on how to finance and implement LLA. Two lessons stand out for funders and implementing entities.

Lesson 1: Funders and implementing entities can help de-risk investments at the local level. Local people and businesses still face investment barriers and risks, including a lack of collateral, documentation, capital and capacity, that restrict their ability to access finance to invest in sustainable businesses and livelihoods. By developing more holistic solutions that go beyond finance — for example, giving local businesses access to guarantee facilities, crop and livestock insurance, and institutional capacity building — funders and implementing entities can help de-risk the investment environment at the local level.

Lesson 2: Funders should increasingly provide simplified access to finance for intermediaries like Fundecooperación so that they can deliver this finance more efficiently to the local level. Intermediaries face high transaction costs in terms of time and resources to access finance from national and international funds, restricting their ability to efficiently provide finance to individuals, businesses, and communities. Capitalising revolving loan facilities through capital endowments is one way that funders can help provide simplified, longer-term finance to implementing entities.

Part 3

Discussion, analysis and conclusions

Discussion and analysis

This chapter brings together analysis of the delivery mechanisms in Part 2 to draw out crosscutting trends on how organisations are implementing LLA around the globe. It focuses on two levels of analysis: localisation and adaptation outcomes. First, it explains how the delivery mechanisms in Part 2 align with the eight LLA Principles; then, it explores how they deliver adaptation outcomes.

Alignment with LLA Principles

A key goal of this guide is to showcase how different organisations around the world are delivering LLA in practice. It is therefore useful to examine how the delivery mechanisms presented in Part 2 align with each of the eight LLA Principles, which are the backbone of the LLA movement.

Table 16 provides an overview of how each of the delivery mechanisms align against the LLA Principles.

	Principle 1. Devolving decision making	**Principle 2.** Addressing structural inequalities	**Principle 3.** Providing patient and predictable funding	**Principle 4.** Investing in local capabilities	**Principle 5.** Building a robust understanding of climate risk	**Principle 6.** Flexible programming	**Principle 7.** Ensuring meaningful transparency and accountability	**Principle 8.** Collaborative action and investment
SIRF Fund		✓		✓		✓	✓	✓
EIF	✓	✓		✓				✓
SGF	✓			✓		✓		✓
DCF	✓	✓	✓	✓	✓		✓	✓
LAPAs	✓	✓		✓	✓	✓		✓
MGNREGS	✓	✓	✓	✓			✓	
CEPF		✓		✓		✓		✓
MCT	✓		✓	✓		✓		✓
CRF	✓	✓		✓	✓	✓		✓
Pawanka Fund	✓	✓	✓	✓		✓	✓	
UPFI	✓	✓	✓	✓		✓		
EMPOWER	✓	✓	✓	✓			✓	✓
Fundecooperación	✓	✓	✓	✓			✓	

Principle 1: Devolving decision making to the lowest appropriate level

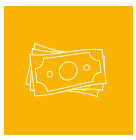
Fundamental to the structure of the LLA delivery mechanisms that we have selected is their commitment to ensure that local communities on the frontline of climate risk have the agency and financing to lead decision making on adaptation. This involves delivering finance to individuals (MGNREGS), enterprises (Fundecooperación), community organisations (Pawanka, EIF, MCT and the CRF), and local governments (LAPAs, DCF in Kenya and Tanzania) for direct investments in resilience building. Overall, the delivery mechanisms provide replicable models for ensuring that local communities control finances and, consequently, decision making on adaptation.

Principle 2: Addressing structural inequalities faced by women, youth, children, disabled and displaced people, Indigenous Peoples and marginalised ethnic groups

Many of the delivery mechanisms demonstrate how to meaningfully integrate this principle into financing mechanisms. Pawanka supports Indigenous Peoples around the globe to revitalise their cultural heritage and build resilience. Similarly, Huairou Commission supports grassroots women's groups to build leadership skills and knowledge, demonstrate that they can lead climate action at the local level, increase their access to government services and participate in local government development processes. MCT supports remote, rural and underserviced communities, while the SIRF Fund and Nepal's LAPAs engage youth, disabled people and marginalised groups in adaptation action. Fundecooperación aims to give access to financial services to people — and their enterprises — who are traditionally excluded from the formal banking system.

But entrenched power structures continue to exist and challenge these delivery mechanisms' ability to ensure meaningful participation in adaptation and resilience. Learnings from Nepal (LAPAs), and Kenya and Tanzania (DCF) show that, despite having clear criteria and guidelines around equitable participation in decision making, these are hard to translate into practice. Similarly, the EIF demonstrates the challenges involved in ensuring women have the agency they need to make decisions and consider intersectional disadvantage in adaptation decision making. As such, local officials need ongoing training and support to facilitate processes that enable social inclusion. They also show the importance of directly supporting excluded groups, to give them the confidence to participate and express their views, even when these differ from powerholders' views.

Principle 3: Providing patient and predictable funding that can be accessed more easily



None of the delivery mechanisms highlighted in this guide commit finance from external actors for long enough to support institutional capabilities (defined as a period of 7–10 years by international practitioners).

The DCF model in Kenya, where county governments have earmarked 1–2% of their own resources for investments in adaptation, is most aligned with Principle 3. With their long-term frameworks for local adaptation investments, the LAPAs in Nepal are the next most aligned, although they have struggled to secure sufficient long-term finance. Capital endowments, where available, effectively capitalise a delivery mechanism's ability to provide grants from the returns to investment or concessional loans as a revolving fund, and can therefore also deliver longer-term finance.

But many of the delivery mechanisms that strongly align with Principles 1 and 2 which deliver finance through devolved grant schemes only deliver small amounts of short-term finance. These include constituency-governed funds like the CRF (US$15,000–20,000 for 12 months), Pawanka (US$10,000–50,000 for a year) and MCT (US$10,000–50,000 for up to 18 months). They also include the EIF, SIRF Fund, and CEPF, which deliver devolved grants for three to four years or less.

Many of the LLA mechanisms in this guide, however, have shown that they support simplified access and long-term partnerships with local organisations (see Box 7). For example, Fundecooperación helps MSMEs apply for funding and provides tailored support to develop business plans, while Huairou Commission helps grassroots women develop business plans when they apply for CRF finance. Both Pawanka and MCT have simplified application processes and provide capacity-building support if requested. The UPFI also has simple access modalities. More generally, experience from initiatives such as the Least Developed Countries (LDC) Initiative for Effective Adaptation and Resilience (LIFE-AR,

an LDC-led initiative to deliver a climate-resilient future)[6] underlines the importance of including those accessing funding in the design of application procedures and processes.

Box 7. At a glance: simplifying access to patient and predictable finance

DCF: Ensures that climate investments are made as part of the annual planning and budgeting cycle, and that bilateral and international funds are channelled through government systems to the county level, improving the predictability of funding for CCCFs and providing easier access for local actors. It also ensures that local government CBOs are supporting communities in defining their investments.

MGNREGS: Ably demonstrates how to simplify access to financing, as it is a self-targeting scheme that stems from an act of parliament that mandates 100 days of unskilled work each year to anyone who demands it, regardless of circumstances, reducing the subjective parameters for accessing finance. Payments have to be made within 15 days of work being completed, and are controlled by local village self-governments, increasing ease of access.

MCT: Although its small grants for local groups typically range from US$10,000–50,000 for up to 18 months, the small number and tight-knit nature of conservation NGOs and CBOs across the region means that MCT has established long-term relationships and collaborations, providing access to financing through easily navigable processes that have been developed through consultation with partners.

Pawanka Fund: Typically provides repeated, regular small-scale finance (US$10,000–50,000) for 12-month periods, enabling partners to become fluent in ways to access finance that is available over the long term. This approach also allows those accessing the finance to work on multiple strategic priorities over time, including on cultural and language regeneration, documenting traditional foods and food systems and sustainable ecosystem management.

UPFI: Access is simple and quick, with minimal vertical accountability to the national federations or the UPFI. This is an explicit design feature, where the UPFI deliberately has minimal oversight, instead trusting partners to use the money as they see fit, using simple procedures that are closely calibrated with local cultural contexts.

EMPOWER: Uses a simplified funding mechanism whereby community leaders help mobilise, manage and govern a revolving fund from household contributions and grants or soft loans from BRAC. The local community is aware of how much funding is available and access procedures.

Fundecooperación: Delivers most finance as loans with a five-year repayment period, with large-scale land or construction purchases sometimes extended for up to ten years. Access is relatively simple, as Fundecooperación supports its clients for the duration of the credit lifecycle, from application to repayment.

Principle 4: Investing in local institutions to leave an institutional legacy

Nearly all the delivery mechanisms demonstrate pathways for enhancing institutional capacity, with many possible approaches for ensuring that adaptation planning and financing help strengthen local institutions over time. Those centred on devolution and decentralisation (in Nepal, Kenya and Tanzania) use LAPAs and district and county climate funds to build local government capacity to understand the impacts of climate change (and the drivers of vulnerability) and deliver climate risk management investments at the local level. Others — such as Pawanka, Fundecooperación, the CRF and MCT — put finance in the hands of Indigenous groups and organisations, MSMEs, grassroots women's groups, and other local institutions, enabling them to design their own solutions to manage development deficits and climate impacts. Many also provide dedicated support to local partners to build project management capacity, financial management capacity, leadership training and other skills through patient, long-term commitment to partnership (see Box 8). However, structured evaluations on whether institutional capacity development is bearing fruit are still needed.

6 www.iied.org/supporting-ldc-initiative-for-effective-adaptation-resilience-life-ar

Box 8. At a glance: enhancing capacity for accessing and managing climate finance

The following delivery mechanisms use one-off training events and long-term handholding and support to build a range of capacities for accessing and managing climate finance. This includes institutional capacity — in safeguarding, risk assessments, reporting, fiduciary management, project management, and so on — and technical capacity, from climate risk assessments and engaging with variability to decision support for identifying adaptation options and applying nature-based solutions.

SGF: Built the capacity of CBOs, which transferred knowledge to beneficiaries. This included convening provincial, interdistrict and project learning events, as well as training sessions facilitated by specialists and ongoing mentorship with facilitating agencies throughout the SGF's lifecycle.

DCF: Embeds adaptation planning and financing within a country's devolved or decentralised governance and financial architecture. This approach builds institutional capacity at local level and avoids creating parallel processes.

MGNREGS: Routes financing for wages and materials through existing local-level institutional structures such as *gram panchayats* and *gram sabhas*, providing training and instruction materials to manage these tasks. This builds these institutions' long-term capacity for localising finance and working with communities to identify the right assets that will tackle climate variability.

CEPF: Dedicates significant resources and time to building grantee capacity through both organisational and technical training. For example, CANARI offers support on environmental and social safeguards, gender, financial management, project management, risk assessments and reporting, as well as technical issues such as biodiversity conservation, nature-based solutions and climate risk assessments. Capacity support includes one-off trainings, mentoring, small grants for learning-by-doing and peer learning.

MCT: Has a dedicated capacity-building programme that conducts regular one-to-one and group trainings for its local partners on topics such as project management, financial management, enforcement and M&E.

CRF: Works with grassroots women's groups to improve their financial management and accounting processes, so they can access and manage larger amounts of funding in the future. It also strengthens women's leadership capacity as an integral part of building community resilience.

Pawanka Fund: Has a dedicated fund to strengthen local-level organisational capacity. The Lokahi Fund provides dedicated finance for training and financial management, governance, human resources, legal documentation, translation services and professional development support to local institutions.

EMPOWER: Provides capacity-building support on understanding climate risks, determining resilience dividends/co-benefits and fiduciary management for LLA investments to strengthen CDOs and CDFs, which help channel money to local actors.

Fundecooperación: Provides technical support to MSMEs when they apply for finance, helping them develop business plans and linking them with experts who can advise on selecting appropriate technologies and practices that are tailored to specific local contexts.

Principle 5: Building a robust understanding of climate risk and uncertainty

This is a weak point for all but three of the delivery mechanisms we examined. LAPAs draw on local risk assessments and participatory approaches for determining local adaptation priorities, while the CRF and DCF both highlight the importance of combining different types of knowledge. Certain projects funded through the CRF catalyse partnerships between grassroots groups and meteorological departments to meld together local insights and expert knowledge to determine adaptation priorities. The DCF mechanisms integrate local climate vulnerability assessments and climate information — for example, by including county meteorology directors in county committees.

However, as experienced in Kenya and Tanzania, providing climate data in a form that is useful for local-level decisions is a challenge and few delivery mechanisms include a direct focus on enhancing access to climate services. Supporting local actors in robust analysis of climate risk and uncertainty is crucial to help people plan for the range of possible climate futures and for all the ways climate characteristics are changing.

Principle 6: Flexible programming and learning

The delivery mechanisms outlined here show flexibility in different ways. For example, DCF and LAPAs both give communities flexibility each year to set out their strategic priorities reflecting their understanding of climate vulnerabilities in their communities and experiences of climate impacts in the previous year. MCT and Pawanka both allow local partners to adjust their projects and extend timelines if necessary, and Pawanka developed a flexible and rapid finance pool to disburse emergency funds to Indigenous Peoples and organisations in response to the COVID-19 crisis. At the global level, MCT has influenced the Adaptation Fund to deliver more flexible finance, prompting the fund to develop the EDA modality. Previously, all projects required pre-approval, which was onerous for local organisations, who would spend time preparing proposals for projects they might never be able to implement. CRF funds allow women to experiment in implementing projects, fail, learn, reinvest and build capacity through trial and error. And in South Africa, the SGF provided extra money for added-value interventions, giving recipients the flexibility to take up unplanned opportunities.

There are also examples of delivery mechanisms demonstrating learning pathways. Fundecooperación has led South–South learning exchanges for support between Costa Rica, Bhutan and Benin, while Nepal has updated its LAPA Framework to reflect lessons learnt from eight years of implementation across the country. DCF integrates adaptation and learning tools to understand the impact of its investments on climate resilience, and the CRF supports peer-to-peer learning across grassroots women's groups to build their leadership capacity. But despite these successes, all the delivery mechanisms examined here need to adopt a clearer and more intentional approach to learning to ensure they adapt to shifting circumstances, embrace innovations and learn from mistakes.

Principle 7: Ensuring meaningful transparency and accountability

Overall, the delivery mechanisms outlined in this guide demonstrate the need to build accountability and transparency mechanisms into LLA mechanisms more prominently. Although many can strenghten this element, some delivery mechanisms are integrating this principle. For example, MGNREGS' social audits — where citizens can recall and review financial data — ensure downward accountability at local level for investments, while EMPOWER uses citizen report cards, public hearings and social audits to ensure transparency. DCF has clear roles and responsibilities for decision making around adaptation investments, as ward climate committees conduct local-level climate risk assessments and work with communities to identify priority adaptation investments, recommending these to the county climate committees, which can provide technical assistance but cannot veto plans. DCF also empowers communities to review and monitor work undertaken, enhancing accountability. Pawanka uses eight cultural criteria, developed from the principles of mutual trust and recognition between Indigenous groups, to conduct due diligence to begin partnerships. This provides strong mutual accountability as due diligence is focused on aspects considered important by all and arrived at through consensus.

Despite these successes, it is important to acknowledge that few organisations and delivery mechanisms provide easily accessible and transparent data on the funds they have provided and the local groups that have received these investments. This makes it more difficult to achieve the ideal of radical transparency, where each actor enables all others to track the funding received to the end user and back up to the provider.

Principle 8: Collaborative action and investment

This principle is about working to connect different layers of governance so that decisions can be made at the most appropriate level, and incentivising sectors and stakeholders to work together. Several delivery mechanisms ensure that enterprises, women's groups, Indigenous Peoples, CBOs and other local organisations collaborate with different actors to deliver resilience solutions.

For example, grassroots women's groups who use CRF funds to invest at the local level create partnerships with local government agencies to improve their formal access to government services; entrepreneurs that access finance from Fundecooperación build partnerships with technology providers, financial service providers and local agricultural bodies, such as those providing meteorology services, to better deliver comprehensive agriculture and livestock investments; and communities in Micronesia partner with church groups, CBNRM groups, NGOs and other groups to conserve ecosystems and deliver sustainable livelihoods. CERF takes a regional approach, ensuring coordinated action across the Caribbean.

The delivery mechanisms in this guide demonstrate that there is considerable scope for funders to pool finance for more efficient delivery of finance to local actors. DCF and LAPAs both provide the potential for this to happen, by creating a funding modality anchored in national-to-local decentralisation of governance and finance that enables subnational governments to invest in climate action. But funders have not met these innovations with the necessary volume or predictability of finance to allow these delivery mechanisms to scale out to reach more people or cover all priority investment areas; nor are there many good examples of funders pooling finance for LLA. The World Bank's FLLoCA programme is an exception, highlighting one way in which funders can scale up finance for LLA. Pooling funding from different providers, FLLoCA will deliver more than US$150 million in investment to strengthen and scale out DCF across Kenya between 2021 and 2026. Replicating this type of approach would provide a major impetus to LLA delivery.

Delivering interventions to support adaptation

As well as understanding how the delivery mechanisms have performed in supporting localisation, we must also understand the extent to which they support robust adaptation outcomes. There are many ways to analyse adaptation processes and outcomes, including in terms of:

- The capacities that people, communities, ecosystems and institutions need to respond to climate change — that is, the capacity to anticipate, absorb, adapt to and transform current and future climate impacts (Bahadur et al. 2015)
- The sectoral investments that help people, communities and ecosystems to adapt — for example, in agriculture and food systems, the water sector, forestry, healthcare, physical infrastructure and so on, and
- The place where adaptation interventions take place, such as urban adaptation investments, landscape and ecosystem management or restoration (GCA 2019).

IIED has undertaken extensive analysis on adaptation interventions from around the globe (Patel and Gebreyes 2020, Soanes et al. 2021). Based on this research, Shakya, Patel and Aung (2022) have shown that transformational adaptation initiatives need to exhibit at least two of the following characteristics:

Responding to current climate variability

Tackling the underlying drivers of vulnerability, such as structural inequality and lack of institutional climate capabilities

Planning flexible and robust responses for the possible range of uncertain future climate conditions

Restoring and protecting ecosystems to increase the resilience of landscapes and livelihoods

We use this typology to outline the approach that the 13 LLA delivery mechanisms in this guide have taken to deliver adaptation and measure how they have supported adaptation outcomes on the ground. Table 17 provides a brief summary of their approaches.

Table 17. How LLA delivery mechanisms support adaptation

LLA delivery mechanism	1. Responds to current climate variability	2. Tackles drivers of vulnerability	3. Responds to a range of future climate conditions	4. Restores and protects ecosystems
SIRF Fund		✓	✓	
EIF	✓			✓
SGF	✓		✓	
DCF	✓	✓	✓	✓
LAPAs		✓	✓	
MGNREGS	✓	✓		
CEPF		✓		✓
MCT	✓	✓		✓
CRF		✓		✓
Pawanka Fund	✓	✓		✓
UPFI	✓	✓		
EMPOWER	✓	✓		
Fundecooperación	✓	✓		✓

Responding to current climate variability

Several of the LLA delivery mechanisms in this guide support local people, communities and ecosystems to respond to climate variability. This often involves helping people strengthen livelihoods and infrastructure so they are both resilient to climate impacts. For example, Fundecooperación's customised credit facility provides finance to entrepreneurs working in agriculture, livestock and tourism, enabling them to climate-proof their businesses by introducing crop strains that can withstand current climate variability, investing in water access and veterinary services to manage drought and temperature increases. EMPOWER and UPFI both help build houses, drainage systems and other assets to help people in informal urban settlements secure access to the infrastructure they need to withstand climate impacts such as flooding. Under the DCF approach, localised vulnerability studies and participatory consultations are used by communities to contextualise and prioritise investments.

Overall, many of the delivery mechanisms explored here help local actors respond to current climate variability by addressing development deficits, providing them with the capital, assets and institutional support they need. Many did not start as climate change adaptation initiatives. Rather, their original design focused on key development priorities such as secure housing, natural resource management or rural employment. Over time, many were shown to also deliver climate resilience benefits, highlighting the clear co-benefits between good development and climate adaptation.

Tackling drivers of vulnerability

Tackling underlying vulnerability and exclusion is one area where the delivery mechanisms excel. Many were created specifically to empower vulnerable groups and support their long-term prosperity. Huairou Commission, for example, works with grassroots women's groups to promote their participation in decision making around local development and empower them to be leaders and agents of change

within their communities. Pawanka is an Indigenous-led fund that supports the recovery and revitalisation of Indigenous culture and knowledge systems for Indigenous Peoples around the globe. It helps Indigenous Peoples build resilience by strengthening governance over natural resources and ecosystems that are threatened by the impacts of climate change and documenting Indigenous knowledge of food systems that have enabled Indigenous Peoples to adapt and thrive for thousands of years. Promoting cultural revitalisation is helping to turn the tide of marginalisation and exclusion and build resilient communities.

One reason for the high proportion of delivery mechanisms that tackle underlying vulnerabilities may be self-selection bias, in terms of the types of organisation that signed up to the LLA Principles. Many of the proponents of LLA have an explicit mandate to focus on poverty reduction and climate resilience in low-income countries. Constituency-governed organisations, such as Pawanka, Huairou Commission and SDI, are responsible to their membership base: grassroots organisations and social movements who work to alleviate poverty and vulnerability at the local level. But despite this possible bias, it highlights the intrinsic link between poverty reduction, vulnerability reduction and climate resilience that is at the core of the rationale for LLA.

Responding to a range of future climate conditions

The 13 LLA delivery mechanisms are much more likely to help communities respond to recently experienced or current climate variability than prepare for climate change's longer-term impacts.

That is not to say none help people prepare for future impacts. For example, the SIRF Fund works with community organisations, business owners and homeowners to upgrade infrastructure to withstand tropical storms, which are set to increase in both frequency and intensity over the coming century. But overall, few of the delivery mechanisms we examine explore options against the range of long-term climate futures or use these scenarios to help local actors make decisions or investments to withstand future climate impacts. This suggests that further efforts are required to help local actors access long-term climate data in terms that are relevant to their context, to better consider robust decision making under uncertainty (Ranger 2013) — that is, long-term thinking that prioritises no- or low-regrets investments that will protect people, communities and ecosystems under the signature climate events that are likely to occur more frequently with future climate conditions. This approach is important, given the ongoing uncertainties inherent to long-term, downscaled climate models that make them difficult for local actors to use.

Restoring and protecting ecosystems

Many of the LLA delivery mechanisms in this guide help local people, community institutions and subnational governments protect and restore ecosystems. The EIF, for example, has worked with communal conservancies and community forests to implement ecosystem-based adaptation initiatives that restore ecosystems and boost local revenues from tourism. County-level investments by DCF mechanisms in Kenya have improved rangeland management and access to water for pastoralist communities. CEPF has led to the sustainable management of 470,000 hectares in Caribbean biodiversity hotspots, while also giving CBOs finance to invest in ecosystem-based adaptation. Overall, one of the main ways that the delivery mechanisms support LLA is by improving ecosystem services for enhancing peoples' livelihoods and wellbeing at the local level.

Many of the delivery mechanisms that focus on restoring and protecting ecosystems have biodiversity conservation (CEPF, MCT) or natural resource management and development (Pawanka, EIF, the CRF) as core elements of their mandate. Recognising the critical linkage between ecosystem services and adaptation at the local level, these delivery mechanisms are increasingly being used to support LLA. But there is little empirical evidence on how these initiatives have helped local people and communities adapt to the observable impacts of climate change. Further research is needed to strengthen this evidence to understand the extent to which they support adaptive outcomes.

Conclusion

Investment ready, effective LLA approaches exist

Our analysis shows that mechanisms for operationalising LLA exist, and that funders, governments, CSOs and communities can adapt and adopt them now to deliver immediate impacts. LLA is much more than an advocacy agenda focused on realising a distant goal. Our analysis provides evidence of a variety of mechanisms to channel finance and devolve agency for adaptation actions to communities on the frontline of climate risk. These are viable models that are ready for further investment now and can be translated to operate in a variety of contexts. By putting money into these types of initiative, funders can have an immediate impact, supporting LLA and building resilience to climate impacts at the local level.

Transparency and accountability are key to effective LLA

All the delivery mechanisms underline the importance of ensuring that accountability mechanisms accompany the delivery of decentralised finance. The success of MGNREGS and LAPAs lie in the social audits and other social accountability mechanisms that go hand in hand with its rollout. Pawanka's cultural due diligence process is another model for ensuring accountability within LLA while paying special attention to local cultural norms. The CRF has established protocols that enable grassroots actors to develop their own rules and regulations for accountability instead of imposing a top-down set of norms that is not calibrated to local needs and practices. So, as well as using different climate finance delivery methods, there are different approaches to ensuring it is invested transparently.

Invest early and well in tailoring procedures and risk management

An equally important lesson is that LLA finance delivery mechanisms must be accompanied by actions to build capacity of local organisations and communities. One of CEPF's drivers of success is that it provides tailored support to its local implementing partners, including project management, financial management, gender and risk assessment training and other forms of institutional strengthening. Similarly, EMPOWER builds local institutions' capacity to ensure effective accountability and transparency within LLA processes. The CRF underlines the importance of reframing readiness as providing support to local groups to build institutional capacity based on their own self-identified capacity needs. These and the other examples in Box 8 underline that financing and technical support must go hand in hand with institutional LLA support.

Prioritise existing systems and organisations

Where possible, mechanisms should engage existing systems and endogenous organisations as delivery partners to support LLA finance delivery. Apart from ensuring value for money, working with partners that are rooted in the local context leads to lower transaction costs for local organisations, facilitates knowledge transfer and enables local solutions. LAPAs and MGNREGS both use existing government architecture for enabling LLA, while the CRF's experience demonstrates that grassroots organisations can act as effective implementation partners. CEPF and MCT also underline that having a trusted delivery partner on the ground is crucial for supporting LLA, as, unlike the multilateral organisations preferred by many international funders, they tend to have established relationships with local actors, understand the context and know the capacity strengths and limitations of implementation. SGF, UPFI and CEPF also raise this point.

There is no one-size-fits-all solution

Common characteristics of good practice have emerged across the mechanisms we discuss in this document. However, these also demonstrate that there is no one-size-fits-all solution for operationalising LLA and further analysis might elicit the critical factors and design features needed for different situations. In India, MGNREGS shows that lower middle-income countries with growing domestic budgets can deliver impact by shaping existing public investment in development programmes so that these start to embody the LLA Principles to enable effective

adaptation. In countries with more curtailed domestic budgets and small governments, such as the Pacific island nations where MCT operates, it might be important to establish regional mechanisms that channel public or private international climate finance to local communities. The guide shows that there is no single solution for bringing LLA to life. Rather, mechanisms and approaches must align with contextual institutional structures.

Give governance rights to the constituency being governed

Our examination of these delivery mechanisms also reveals the crucial importance of ensuring meaningful community engagement in designing the delivery mechanisms for supporting LLA. For example, one of the factors for the SGF's success was that its design included a partnership with local entities to facilitate direct input from communities regarding their concerns and priorities. Similarly, an examination of MCT reveals the importance of trusting communities to know the solutions to their own problems, based on their own local and Indigenous knowledge. Even if these solutions seem counterintuitive to those with outside perspectives, as they are grounded in local experience, they are likely to be more effective than exogenous prescriptions. Pawanka's success points to the same issue, highlighting that Indigenous communities and organisations empower themselves based on their own knowledge and cultural resilience. Although they often lack resources and access to state-supported development processes due to current and historical processes of colonialism and systemic discrimination, Indigenous Peoples do not need external solutions to their challenges. One thing they do need, however, is improved access to finance so they can continue to build resilience on their own terms. The CRF, EMPOWER, UPFI and CEPF also highlight the importance of close and genuine partnership with communities.

Enable robust analysis of climate futures

A key overall trend from our analysis on adaptation outcomes is that the LLA delivery mechanisms in this guide have focused on reducing poverty and vulnerability and protecting ecosystems, rather than addressing specific climate risks in the near or longer term. While building social and ecosystem resilience is important, LLA delivery mechanisms may need to integrate climate risk management more explicitly, to build more robust, longer-term resilience to climate change and its future impacts. It will be necessary to scale up the use of long-term climate decision-making tools and frameworks in LLA, as these can help local actors make no- or low-regrets investment decisions that will protect them against the signature climate events that are likely to occur more frequently in their regions as well as build necessary system redundancy to avoid catastrophic failure. This will ensure that short-term investment decisions are not maladaptive, but rather deliver adaptive investments and improve local institutions' capacity to be responsive and agile in the face of climate uncertainty.

Financing and local planning must go hand in hand

Finally, far from presenting an incoherent vision of local investment in adaptation, the examples collectively show that vulnerable communities are using a broad range of local methodologies to select, prioritise and invest resources in specific adaptation investments to deliver LLA. This is clearest in LAPAs, a locally led planning process that is used as the rubric for investments, and is evident in other approaches, such as the CRF, which disburses funding after reviewing investment strategies and business plans developed by grassroots actors, working with them to strengthen their applications where necessary. DCF uses another approach to local planning, establishing climate change planning committees at subnational levels of government where locally elected representatives consult their constituents and prioritise climate change investments for their communities, ensuring local ownership and impact. Overall, the delivery mechanisms examined in Part 2 provide penetrating insight into how devolved planning processes can be structured to accompany decentralised finance for climate adaptation.

LLA has huge potential, and as this guide shows, putting this concept into practice is within our reach.

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International Institute for Environment and Development
Third floor, 235 High Holborn, Holborn, London WC1V 7DN, UK

Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
www.iied.org

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Locally led adaptation (LLA) is an approach which seeks to ensure that local people have individual and collective agency over defining, prioritising, designing, implementing, monitoring and evaluating adaptation actions. LLA is grounded in the belief that people who are on the frontline of climate risks are best placed to respond to both current and future impacts of climate change. Local people often lack the financial resources, decision-making power and technical skills required to lead adaptation. Yet despite these challenges, there are a growing number of initiatives around the globe that are delivering LLA on the ground. The purpose of this guide is to highlight different ways that LLA can be financed and delivered. The guide showcases 13 investment-ready delivery mechanisms from Africa, Asia, Latin America, the Caribbean and the Pacific and offers insights on how funders and implementing entities can scale-up investment for LLA.

Knowledge Products

Toolkit

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