



LoCAL
ANNUAL
REPORT

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LoCAL
ANNUAL REPORT
2014

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Cover photo: During its scoping mission to Mabalene District, Gaza Province, Mozambique, the LoCAL team – together with the local government and community – conducted a vulnerability assessment to determine how climate change has affected the local food supply; photo © Fakri Karim/LoCAL-UNCDF

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PURPOSE

Climate change brings about an increase in the variability, frequency and severity of extreme weather events. Even though the whole world's population is susceptible to these changes, poor countries have the least means to cope with them. And these countries host a disproportionate number of people living in vulnerable areas, often with a high dependence on natural resources. According to UNDP's *2007/2008 Human Development Report* – which focused on fighting climate change – over 98 per cent of the people

affected by climate disasters between 2000 and 2004 lived in developing countries. Consequently, adaptation needs are especially pressing in least developed countries (LDCs).

Existing funding for climate change adaptation primarily supports large-scale national projects and institutions, bypassing local communities. Yet local institutions are best placed to identify local adaptation needs and priorities, including those involving water management (irrigation, drainage, storage and harvesting), land use and construction

↑
Workers
check
project plans
in Takeo,
Cambodia;
photo:
© Cedric
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LoCAL-UNCDF

One way of improving the effectiveness and accelerating the speed of implementation of climate change adaptation in LDCs is to engage more meaningfully at the sub-national and local government levels.

regulation (zoning, planning, building standards enforcement) and support to the local economy (agricultural extension, changing crop patterns, storage and distribution). And local responses can create opportunities for innovative public-private partnerships – which can in turn increase the amount of resources dedicated to adaptation. So one way of improving the effectiveness and accelerating the speed of implementation of climate change adaptation in LDCs is to engage more meaningfully at the sub-national and local government levels.

However, despite the clear relevance of the local level to meaningful adaptation, evidence shows that most local governments in LDCs are not able to contribute effectively to climate change adaptation and resilience building. A

number of reasons underlie this inability, including those listed in the graphic below.

APPROACH

LoCAL responds to this challenge by providing a mechanism to integrate climate change adaptation into local governments' planning and budgeting systems, increasing awareness of and response to climate change at the local level, and increasing the amount of finance available to local governments for climate change adaptation.

LoCAL does this by awarding performance-based climate resilience grants (PBCRGs), an instrument that ensures the programming and verification of climate change expenditure at the local level.

LoCAL uses the demonstration effect to trigger further flows for local adaptation, including national fiscal transfers and access to global climate finance for local governments (through their national governments), and for private and public-private adaptation initiatives. The LoCAL goal, outcome and outputs are illustrated on the opposite page.

OBSTACLES TO LoCAL GOVERNMENT CONTRIBUTION

1 A lack of **appropriate budgetary allocations** from the national level, leading to unfunded mandates

2 Local governments' inability to **absorb the incremental costs** of climate change adaptation, leading to diversion of development funds away from issues like education and economic development

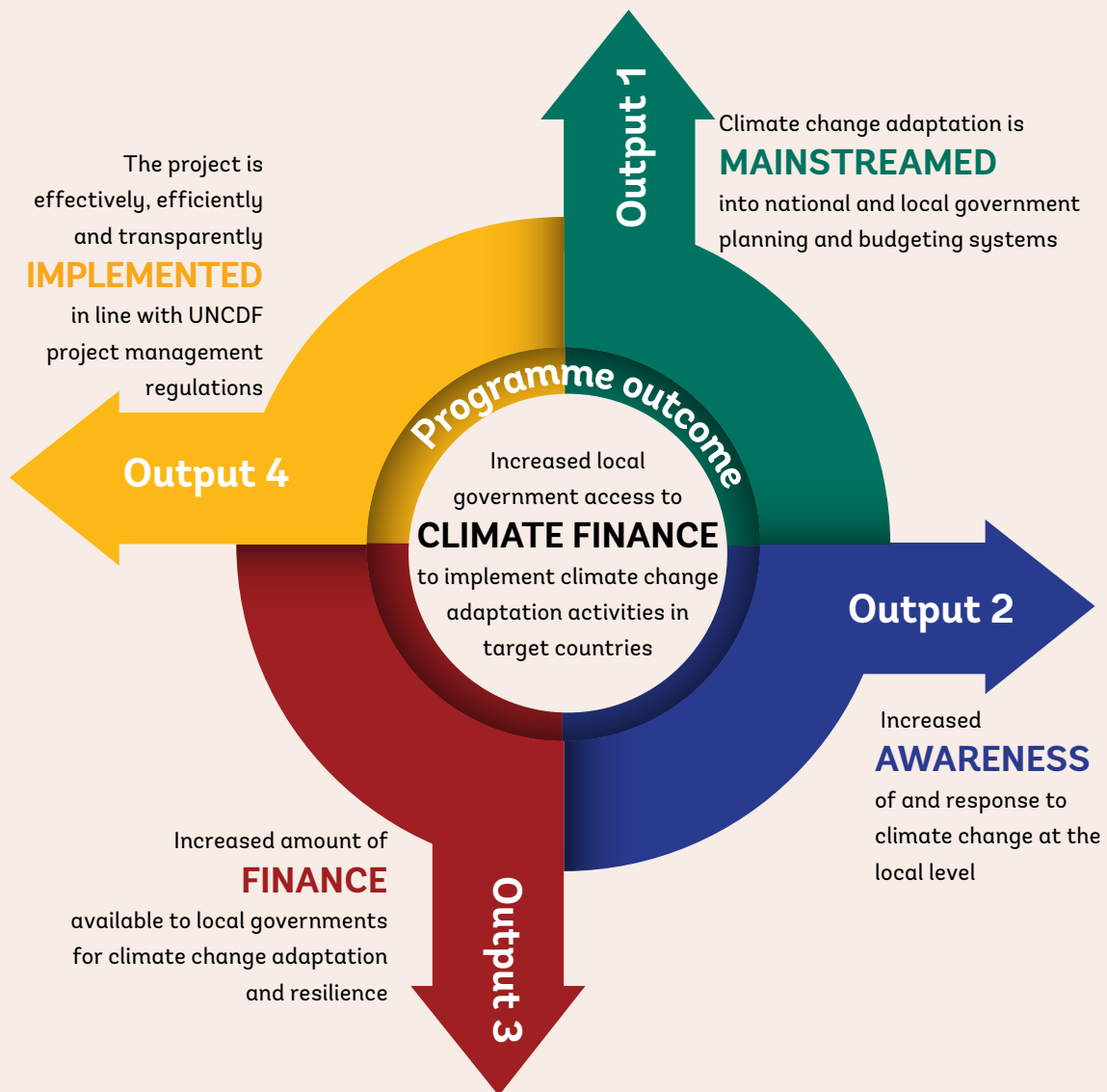
3 A lack of financing for **revenue-generating private and public-private adaptation projects** at the local level

4 Main sources of climate finance are often only available and accessed through application to **national programmes that have specific, earmarked arrangements** and which fall outside of established decision-making processes and the public expenditure management cycle

LoCAL PROGRAMME GOAL, OUTCOME AND OUTPUTS



Development goal: Promote climate change–resilient communities and economies by increasing financing for and investment in climate change adaptation at the local level in LDCs

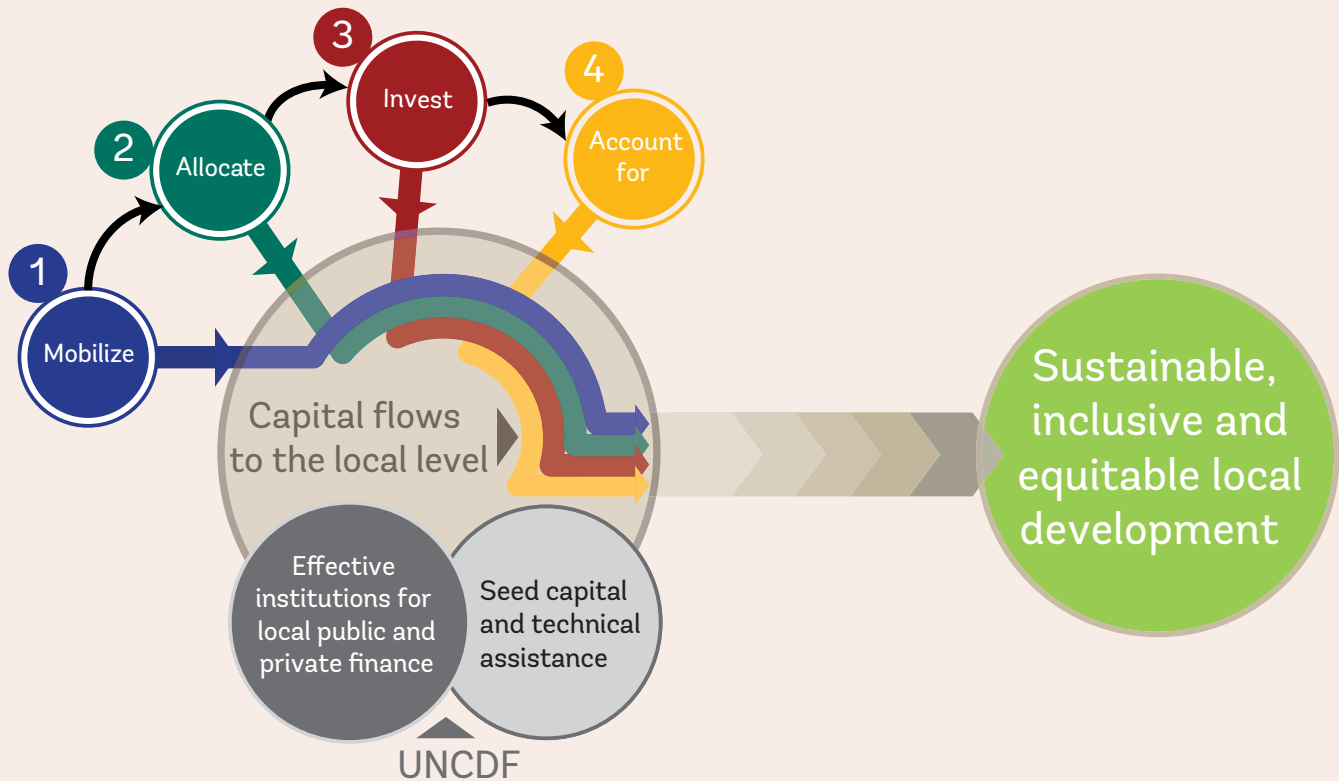


METHODOLOGY

The LoCAL programme applies the principles of fiscal decentralization, effective local public financial management and local investments to climate change. LoCAL builds on two decades of UNCDF experience both in

these areas of work and with performance-based grants, capturing and capitalizing on the lessons learned. LoCAL applies UNCDF’s core approach (see next page) to local development finance, which is to mobilize, allocate, invest and make accountable increased resource flows to the local level for sustainable, inclusive

UNCDF CORE APPROACH



and equitable local development – in this case, characterized by resilience to climate change. LoCAL enables countries to effectively provide finance for resilient communities and economies at the local level, thus diversifying the economic base and broadening national resilience to climate change. Through the PBCRG system, it provides LDCs with a mechanism to attract further climate finance to the local level.

LoCAL operates primarily in LDCs, working with rural local governments at the lowest or second lowest tiers and with small towns with populations under 600,000.

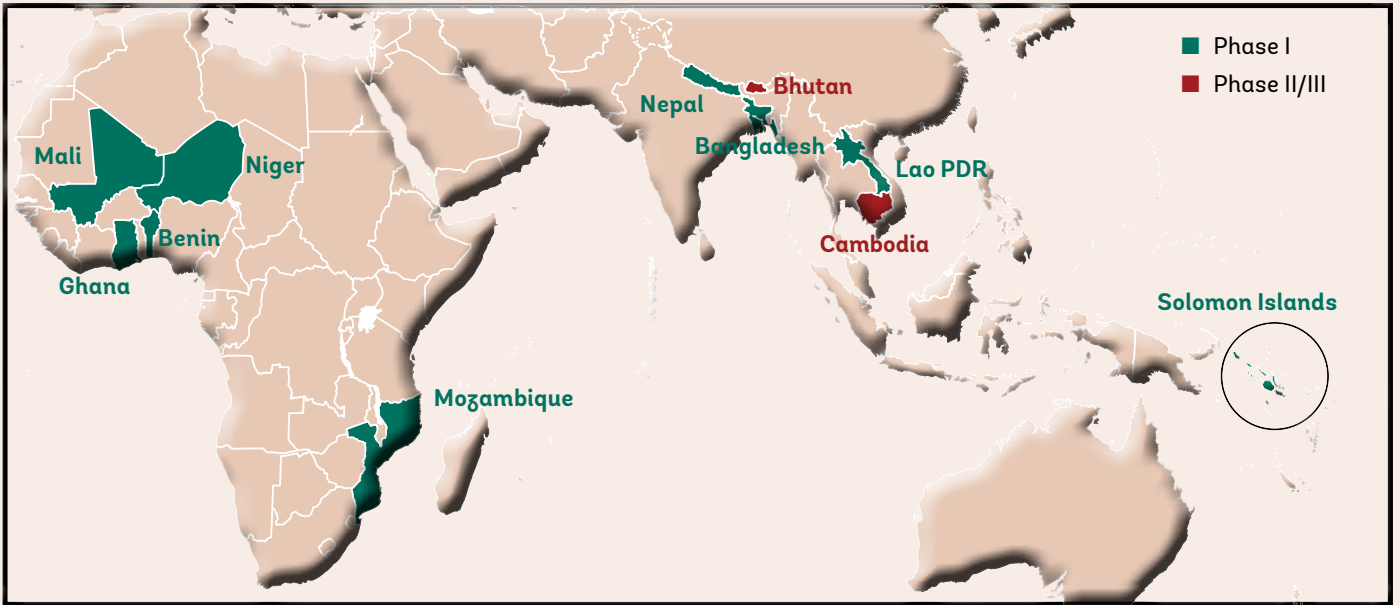
The LoCAL methodology was first piloted in Bhutan and Cambodia in 2011. The experiences gained there so far have enabled UNCDF to refine and strengthen the LoCAL approach and to expand the programme to other countries and regions as shown in the map on the opposite page.

LoCAL is implemented in three phases – focused respectively on piloting, learning and scaling-up – as illustrated on the opposite page.

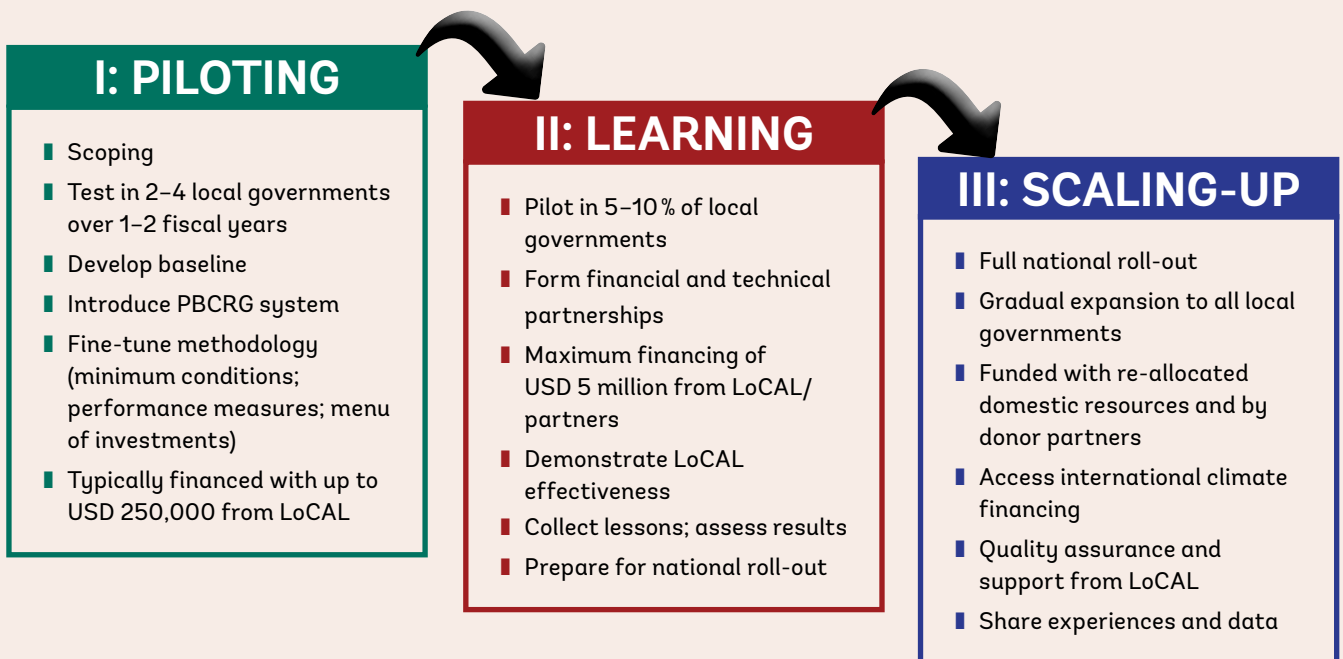
One of LoCAL’s objectives is to support a form of direct access to international climate funds for LDC local governments through their central governments. Therefore, the more LDCs that take part in LoCAL, the more effective it becomes as a mechanism for local adaptation finance and for peer-to-peer learning.

Funding permitting, the LoCAL initiative has the potential to cover all LDCs within its five-year planned duration (2013–2018); at its end, all LDCs should be at Phase II or III, with dedicated windows for local adaptation finance established by national and global climate finance institutions.

LoCAL COUNTRIES



LoCAL PHASES



2014 Achievements



The LoCAL global programme achieved its output targets for 2014, as detailed to the Board in March 2015. Notable achievements include the following:

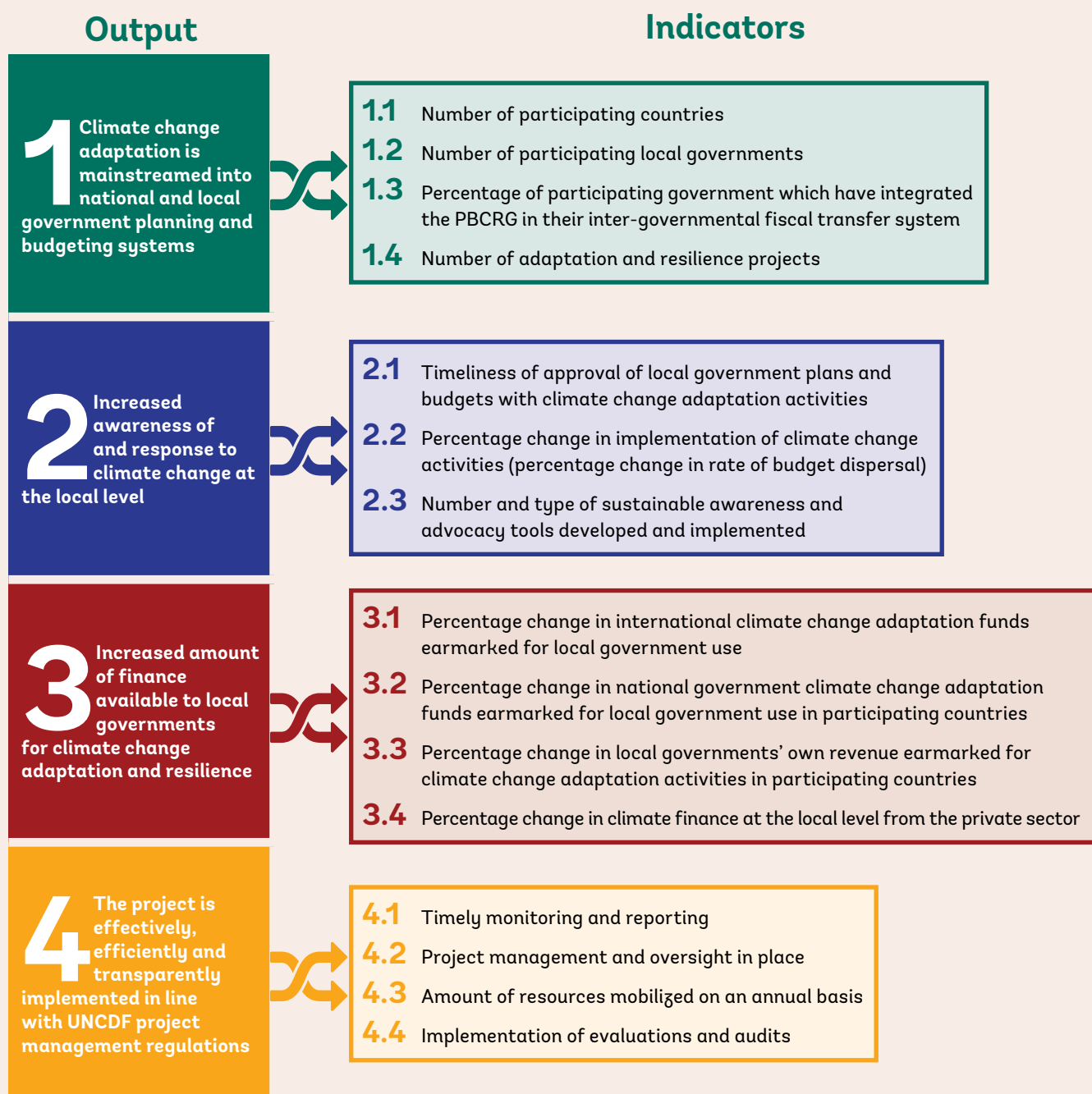
- Phase I and II LoCAL programmes were designed and adopted (i.e. a memorandum of understanding signed) in seven countries – Bangladesh, Benin, Bhutan, Cambodia, Lao PDR, Mali and Nepal. PBCRGs totalling USD 1,165,410 in operational support were delivered.
- A total of 29 local governments are using the PBCRG system.
- Ninety-two small-scale climate-resilient investments were selected and are now under implementation in Benin, Bhutan and Cambodia.
- Scoping work comprising the first step of LoCAL Phase I has been conducted and/or continued in four countries: Ghana, Mozambique, Niger and Solomon Islands.
- Six high-level awareness-raising and advocacy initiatives were conducted at the global level.
- The first LoCAL Global Programme Board Meeting was held.

↑
In the commune of Boukombé, Benin, LoCAL support is being used to reinforce culvert construction; photo © Joel Bekou/LoCAL-UNCDF

More detail on these achievements and other LoCAL results follows. The discussion is organized along the four outputs of the LoCAL results and resource framework (see

graphic on [page 3](#)) and the indicators established for these in the UNCDF LoCAL [Global Project Document](#). The outputs and indicators are summarized below.

LoCAL OUTPUTS AND INDICATORS



OUTPUT 1

MAINSTREAMING

Participating countries and local governments

The roll-out of LoCAL in 2014 from a regional to a global programme was very successful. The programme set itself the ambitious target of having Phase I LoCAL programmes designed and adopted in eight participating countries across Asia and Africa, with 24 pilot local governments involved in Year 1 (2014). As of December 2014, Phase I and II LoCAL programmes had been designed and adopted in seven countries. Besides the initial pilots in Bhutan and Cambodia, the new countries that joined LoCAL in 2014 are Bangladesh, Benin, Lao PDR, Mali and Nepal.

- Phase I in **Bangladesh** began in 2014. Pending final approvals, Phase II will be expanded with European Union support provided through the Global Climate Change Alliance+ (GCCA+) (see [Output 3](#)).
- Phase I in **Benin** began in 2014, and climate-resilient investments have been identified.
- In **Lao PDR**, Phase I has started, and the country is preparing to roll out Phase II with co-financing from UNDP-GEF (Global Environment Facility).
- Scoping work undertaken in 2013 in **Mali** has successfully led to the signing of a memorandum of understanding between LoCAL and the government in June 2014 – and to the first transfer of funds from LoCAL to the government for use by the communes of Nara and Nioro du Sahel in 2015.
- The Government of **Nepal** has endorsed pilot implementation of LoCAL in six local governments and signed a memorandum of understanding in February 2014.

Within these seven countries, a total of 29 local governments are using the PBCRG system; this exceeds the 2014 target of 16 local governments in two countries for Year 1.

As of December 2014, Phase I and II LoCAL programmes had been designed and adopted in seven countries.

PBCRG integration

The percentage of participating local governments which have integrated the PBCRG system in their public expenditure management/inter-governmental fiscal transfer system is about twice as high as that targeted: 59 per cent versus 30 per cent. Most (14) of these local governments are in the original pilot countries of Bhutan and Cambodia; 3 are in a new country, Benin.

Scoping work to design LoCAL Phase I has been conducted and furthered in four countries: Ghana, Mozambique, Niger and Solomon Islands.

- In **Ghana**, UNCDF entered into an agreement with the Ministry of Local Government and Rural Development and the District Development Fund to continue LoCAL preparation. The programme was launched in June 2015.
- In **Mozambique**, LoCAL organized one national and two district workshops in Gaza Province to define and validate the main elements of the LoCAL initiative in terms of performance measurement and to identify possible investments to be financed under LoCAL. The programme is being launched in 2015.

- A LoCAL Technical Committee was officially established in **Niger**. It supported development of the LoCAL initiative for its 2015 launch. The programme will work in the same region as GCCA+ Niger for greater impact.
- In **Solomon Islands**, LoCAL leveraged past experience with UNCDF in implementing performance-based grants to address climate resilience in the future. LoCAL Phase I is expected to start in the country in 2015.

Additional countries across Africa, Asia and the Pacific have expressed an interest in joining LoCAL and requested scoping work in 2015. This enthusiastic response demonstrates the relevance of the LoCAL approach and the UNCDF PBCRG methodology.

Adaptation and resilience projects/measures

In the targeted local governments, PBCRG amounts were allocated to the highest priority sub-projects proposed by the commune council or district administration. Priorities were determined from vulnerability and adaptation assessments and adaptation programmes or plans integrated in local development plans and budgets.

The first countries to pilot the LoCAL methodology – Bhutan and Cambodia – launched a host of useful projects based on vulnerability and adaptation assessments, participatory planning and budgeting, and the use of PBCRGs, among other features. The projects demonstrate

the immediate and sustainable impacts of the LoCAL approach.

- In **Bhutan**, 24 local infrastructure projects were planned and implemented in 2014. These include construction of causeways, improvements to farm roads and cross drainage; upgrade of an irrigation channel, drinking water sources and supply system, water reservoir and community-based rainwater catchment; construction of elevated and pedestrian bridges; bio-engineering for slope stabilization and erosion control; and integrated soil management of farmland. These projects will directly benefit the 10,693 people who live in the six participating *gewogs*; they will indirectly benefit the wider population of 49,771 people in the surrounding area.

- In **Cambodia**, 35 out of the 65 projects selected for implementation in 2014 are local infrastructure projects; 31 of these have been completed. The 35 infrastructure projects include flood escape routes, community ponds and culverts to accommodate flood water, water gates, flood protection dams, water canals, rural roads and local bridges. The projects will benefit the 680,000 people who live in 61 communes in eight districts in the Takeo and Battambang Provinces where LoCAL is currently operating.

The remaining 30 projects focus on capacity development activities for local authorities and communities to increase their knowledge of climate change vulnerability and adaptation intervention. This focus is critical, because vulnerability and risk assessment in the participating districts revealed that the target communes were facing severe drought and floods that are creating significant challenges in the daily lives of community members. Among these challenges are

The projects demonstrate the immediate and sustainable impacts of the LoCAL approach.

BHUTAN AND CAMBODIA INVEST LoCAL FUNDS IN CLIMATE-RESILIENT INFRASTRUCTURE

Connecting households in Bhutan through a climate-resilient farm road. A 21-kilometer road links 68 households in the rural Taksha and Silli communities to the main highway. Built in 2005, the farm road is often unusable during the monsoon season when rains swell the Nyerchhu stream. The road is also vulnerable to rain-induced landslides and surface deterioration at several locations due to a lack of proper drainage and slope stabilization. Needless to say, these infrastructural shortcomings severely diminish residents' ability to transport and market their farm products. They also hinder reliable delivery of public services to the communities, including transportation of supplies to the primary school and to the outreach clinic at Taksha. The gewog is investing LoCAL PBCRG funds to construct a causeway over the Nyerchhu, and to carry out slope stabilization and drainage works at vulnerable locations. These measures will improve the climate resilience of the farm road and its utility, thus providing socio-economic benefits to the local communities.

As in the Taksha and Silli communities, rural residents of the Phobjica Valley worked to rehabilitate a local farm road, with each family contributing 16 person/days to improve road drainage systems; photo © Cedric Jancloes/LoCAL-UNCDF →



Addressing floods and water shortages in Cambodia. Water issues are prompting several infrastructure improvements in Cambodia. In the Moug Russey District, a flood refuge mound was built in a flood-prone community to provide a safe place for residents and animals to relocate during floods. In the Thma Koul District, a dam was built to protect the community from floods. It also serves as a reservoir, supplying water to surrounding rice paddy fields, and as an alternative road during flood periods. In the Bati District, where the local community was facing water shortages for



household use, a community pond was built. The new pond can store enough water for a whole year's use for cooking, drinking, gardening and animals. The community has committed to invest in the pond's maintenance using its own resources to ensure the pond's sustainability and positive long-term impacts on the community.

← The 30×60-meter reservoir in the Bati District of Cambodia's Takeo Province brings safe drinking water to 800 families; photo © Cedric Jancloes/LoCAL-UNCDF

inaccessible health centres, schools, markets and transportation during flooding; damage to transportation infrastructure and to farms; and interruption of agricultural activities.

The new participating countries received grants in 2014 for implementation in 2015. In **Benin**, the communes of Boukombé, Copargo and Toukountouna used a participatory approach to select the first three climate-resilient investments to be financed by the PBCRG system. The tendering process for these investments was launched in December 2014, with delivery expected by mid-2015.

Given the short time frame in which results have been achieved in Bhutan and Cambodia, sustainable impacts should be discernible within the next 18–24 months – depending on conditions in the participating local governments – in the countries which have just initiated Phase I

(Bangladesh, Benin, Lao PDR, Mali and Nepal) or which are about to start this phase (Ghana, Mozambique, Niger and Solomon Islands).

In addition to the contributions these various infrastructure projects will make towards increasing community resilience to climate change, they also will increase **fixed capital formation** at the local level (see box below). They will demonstrate how increasing capital space allows local authorities to play their role in activities which directly contribute to local economic development in general over the long term. Further, with climate-resilient infrastructure in place, local governments are able to free their budgets from constantly repairing climate-damaged infrastructure and instead use those resources for regular operations and maintenance.

LOCAL FISCAL SPACE AND LOCAL FIXED CAPITAL

LoCAL is contributing to the achievement of increased local fiscal space and local fixed capital formation – the two UNCDF local development finance outcome indicators.

- **Local fiscal space** was defined in 2005 by Peter Heller in an International Monetary Fund [discussion paper](#) as ‘the availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position’.
- **Local fixed capital** covers all types of physical assets at the local level including land management

improvements (fences, ditches, drains, etc.); plant, machinery and equipment; and infrastructure such as roads, irrigation, schools, offices, hospitals, local markets, and commercial and industrial buildings which will contribute to local development.

By channelling adaptation finance to the local level, LoCAL is helping extend the local fiscal space for adaptive local development. At the same time, LoCAL is helping to ensure that the local fixed capital being created will be climate resilient by integrating climate change adaptation into local planning, budgeting and execution.

OUTPUT 2

AWARENESS

Plans and budgets with climate change adaptation activities

Local government plans and budgets with climate change adaptation activities were approved in all eight participating local governments in Cambodia. One hundred per cent of these plans and budgets were approved within the first quarter of their fiscal year – exceeding the target for Year 1 of 50 per cent approved in the first quarter of the fiscal year.

Implementation of climate change activities

In 2013, 25 per cent of the budget of participating local governments in Cambodia for climate change activities was implemented. The target for Year 1 is to reach 60 per cent of budget dispersal in the majority (70 per cent) of participating local governments.

Sustainable awareness and advocacy tools

Six high-level initiatives were undertaken in 2014 by LoCAL and its participating countries to raise awareness and advocate for the role of local governments in climate change adaptation at the global level.

■ The **LoCAL Forum** was launched to facilitate exchanges between LoCAL participating countries and other stakeholders on the role and function of local governments in addressing climate change adaptation. During its first meeting in June 2014, a strategy and approach to increase national and international awareness of the local government role in implementing climate change was drafted.

■ The Cambodian local governments represented by the National Committee for Sub-National Democratic Development Secretariat presented their experiences and lessons learned from LoCAL implementation at the **Eighth International Conference on**

Cambodian LoCAL participants meet at a prioritization workshop; photo: © Cedric Jancloes/LoCAL-UNCDF



Community-Based Adaptation in Nepal in April 2014. The presenters emphasized how the PBCRG mechanism facilitated climate change adaptation implementation at the lowest government level – the community level. The conference concluded with the launch of the [Kathmandu Declaration on Financing Local Adaptation](#), which saw delegates call for a radical shift in flows of finance to ensure the most vulnerable communities can adapt to climate change.

- During the [Small Island Developing State \(SIDS\) conference](#) in Samoa in September 2014, the LoCAL Secretariat and the Ministry of Environment of Solomon Islands presented the LoCAL mechanism as a partnership model to support local governments in performing their role in increasing community resilience to climate change effects. An immediate result was an invitation from the prime minister of Tuvalu to LoCAL to support local government capacities there in dealing with climate change adaptation.
- At the [Climate Change Summit in New York](#) in September 2014, the LoCAL participating countries – led by the Government of Benin, as chair of the LDC Group at the UN – raised the issue of local governments in implementing climate change adaptation activities to increase resilience in LDCs. The speech highlighted the LoCAL methodology as a preferred mechanism for supporting LDC local governments in increasing resilience to climate change impacts.
- LoCAL participated in the [20th Conference of the Parties to the UN Framework Convention on Climate Change](#) in Lima in December 2014, supporting participating countries in furthering their exchange on and joint advocacy work for the benefit of LDCs and local governments.

- The role of local governments in addressing climate change was discussed at the [Ministerial Meeting of Asia-Pacific LDCs on Graduation and Post-2015 Development Agenda](#) in December 2014 in Kathmandu. LoCAL was highlighted in the [meeting's declaration](#) as a key mechanism for LDCs 'to enhance their local governments' capability to discharge their responsibility in the implementation of the National Adaptation Plans'.

LoCAL also focused on raising awareness of the role of local governments in climate change adaptation in participating countries, as well as on strengthening the capacities of participating local governments to deliver climate change adaptation responses through the PBCRG system.

- As part of the scoping missions undertaken in new participating countries, [seven in-country workshops](#) were organized to raise awareness on climate change and local governments and on LoCAL. Training was also held for 24 local governments across five countries. The immediate results of these trainings included the approval of climate change adaptation plans in all eight participating districts in Cambodia, three local governments (*gewogs*) in Bhutan, three local governments in Nepal, two local governments in Bangladesh, as well as validation of the approach in one district in Mozambique.
- LoCAL focal points from six participating countries (Benin, Cambodia, Lao PDR, Mali, Mozambique and Niger) were trained on climate change and resilience at the [Hague Academy for Local Governance](#). The training aimed to increase their knowledge of and capacities related to vulnerability assessments, the development of climate change adaptation strategies

and plans, and PBCRGs. The LoCAL Secretariat delivered some of the training sessions, with a focus on the PBCRG methodology. Based on the success of this collaboration, a LoCAL training package will be developed under UNCDF's existing memorandum of understanding with the academy for government officials in LoCAL participating countries. These training materials will help them improve their capacities to deliver climate change adaptation activities through the performance-based grant mechanism.

A LoCAL training package will be developed with the Hague Academy for Local Governance for use by government officials in LoCAL participating countries.

Eligibility for PBCRG financing was predicated on conforming to a set of minimum conditions that were verified by the participating national governments before funds were transferred. For countries in their second or later year of LoCAL implementation (Bhutan and Cambodia), the size of the grants received by local governments was adjusted in accordance with overall performance measures. Once conditions were met, PBCRG funds were transferred through the national fiscal transfer system and were subject to the same financial management, procurement and accounting rules as other government funds.

OUTPUT 3 FINANCE

Grant delivery

In 2014, PBCRGs and operational support totalling USD 1,165,410 was delivered to the seven LoCAL countries. Details on grant distribution by country are provided in Table 1.

The PBCRGs were allocated as described in the memoranda of understanding between UNCDF and the governments of the LoCAL participating countries.

Partnerships

LoCAL was very successful in leveraging the results of its pilot activities in 2014. Thanks to positive results and efficiency during Phase I, LoCAL moved to Phase II in **Bhutan**, with funding from the European

TABLE 1: 2014 DELIVERY OF PBCRGs AND OPERATIONAL SUPPORT BY COUNTRY AND SOURCE OF FUNDS (USD)

Country	Sida/PFIS	Sida/ Cambodia	Liechtenstein	European Union	UNDP-GEF	Total
Bangladesh				150,000		
Benin	89,411			25,000		114,411
Bhutan				250,000		
Cambodia		241,016				241,016
Lao PDR					154,052	
Mali			50,934	74,938		12,5931
Nepal	30,000			100,000		130,000
Total	119,411	241,016	50,934	599,938	154,052	1,165,410

Note: PFIS = Partnerships Framework on Inclusive Growth and Sustainable Development; Sida = Swedish International Development Cooperation Agency.

CROSS-CUTTING ISSUES

Several issues inform and shape the process of establishing LoCAL in a given country. The work undertaken to standardize an approach to scoping and country design included a focus on these cross-cutting issues.

■ **Local-level participation.** LoCAL promoted the use of participatory approaches – e.g. through community consultations – at various stages of the process, including during scoping. Additionally, LoCAL provided capacity support for local governments to undertake participatory vulnerability assessments and local planning processes – e.g. when identifying specific activities to be funded through the PBCRG.

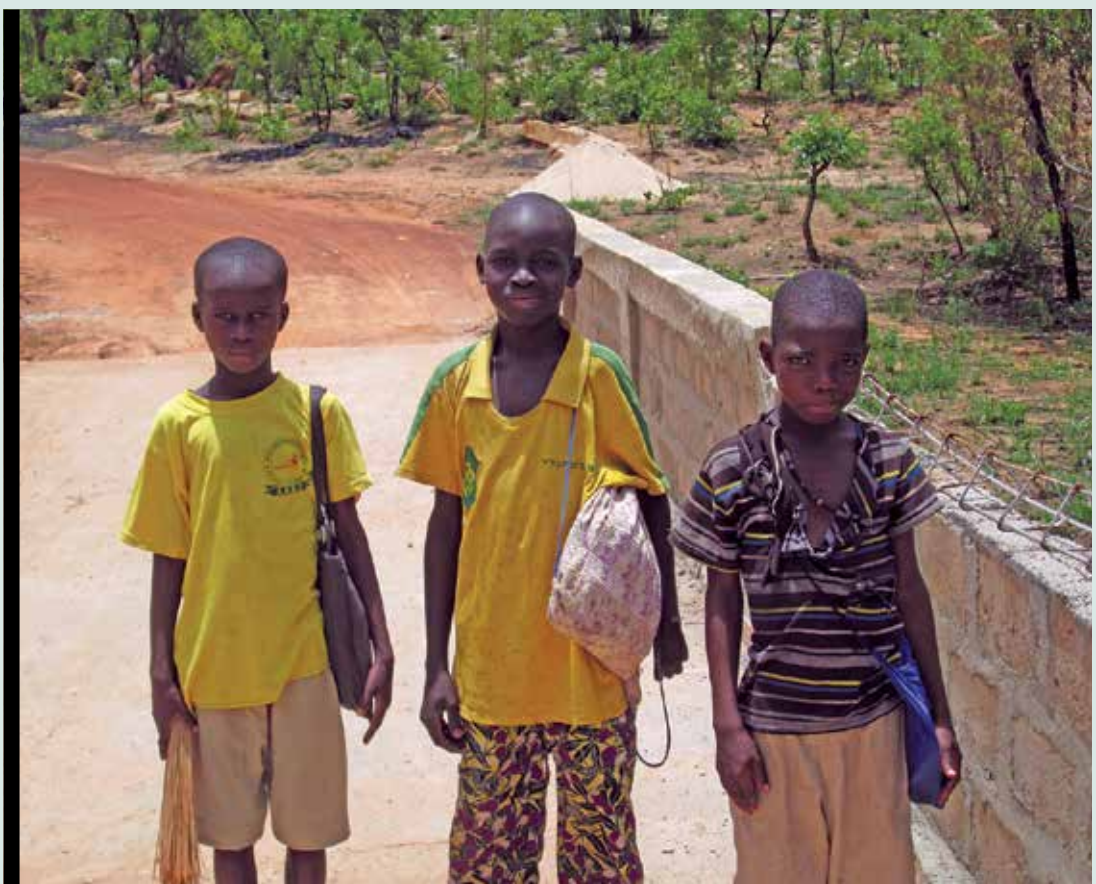
■ **Monitoring.** Ongoing monitoring of adherence to minimum conditions by local governments receiving PBCRGs is critical to good governance, as is monitoring of the transparency and accountability processes within participating governments' fiscal transfer systems. LoCAL is instituting a system so that incidents and experiences in addressing gaps and grievances can be distilled into lessons for all participating local governments.

■ **Involvement of women and vulnerable groups.** One of the challenges faced by LoCAL is the diversity of cultural norms and other factors at play in participating countries when it comes to the role of women and vulnerable groups in the decision-making

process at the community level as well as their role in local government. LoCAL is raising awareness and encouraging the participation of women and vulnerable groups by highlighting their particular needs and vulnerabilities during the initial LoCAL scoping work and design in each country. The issue is also being addressed through community feedback processes related to PBCRG implementation. These assess the quality of women and vulnerable groups' involvement; identify gaps, challenges and opportunities; and inform the next year's planning process. In 2015, these feedback mechanisms will be documented and converted into case studies and gender checklists for use by other participating local governments.

■ **Decentralization.** LoCAL is facing the challenge of implementing a standard and unified mechanism in countries with diverse approaches to decentralization. In this context, the PBCRG and its elements such as minimum conditions can be understood and applied differently, with varying levels of standards. In 2015, work will be undertaken to facilitate a common understanding of the PBCRG, and to identify approaches to address and reduce capacity gaps. The aim will be to constantly improve the quality of PBCRG implementation across countries and local governments, and to forge a standard, recognized country-based mechanism available to the international community to channel adaptation finance to the local level in LDCs.

Children returning from school in the Tandafa Village, Benin, cross a bridge being retrofitted with LoCAL support; photo © Joel Bekou/LoCAL-UNCDF



Union; and in [Cambodia](#), with funding earmarked for that country from the Swedish International Development Cooperation Agency (Sida). LoCAL has also developed concept notes for scaling up the initiative for a national roll-out (Phase III) in both countries.

In [Bangladesh](#), LoCAL Phase II will be supported by the GCCA+ Bangladesh as part of a joint programme between UNCDF and UNDP. Total funding for this phase will be USD 8.9 million, half of which will be delivered through the LoCAL mechanism.

In [Mozambique](#), LoCAL took major steps in developing a partnership with the Belgian Cooperation to support an expanded Phase I (USD 1.9 million) for LoCAL implementation to begin in 2015.

With support from the LoCAL Secretariat, a number of LoCAL participating countries initiated a joint effort to prepare and submit proposals to the [Green Climate Fund](#) featuring the LoCAL approach.

OUTPUT 4 IMPLEMENTATION

The LoCAL Secretariat is mandated to support implementation of the global programme. The Secretariat has played a critical role in the effective launch of the programme across countries and regions, and in raising awareness and mobilizing political support from ministries and institutions at the central government level – particularly with respect to influencing legislation and promoting the sustainability of adopted systems. The Secretariat also focuses on timely monitoring and reporting, project management and oversight, resource mobilization, and evaluations and audits.

Monitoring and reporting

In 2014, the Secretariat worked to improve monitoring and reporting processes and to ensure transparent and accountable financial reporting by participating countries. The Secretariat facilitated and supported continuation of LoCAL implementation in Bhutan and Cambodia, emphasizing the strengthening of monitoring tools as well as improving capacities for monitoring at the country level. For 2015 and 2016, more work is planned on developing baselines and, where needed, targets under the global programme results and resource framework. Work is also planned on ensuring alignment across the various levels – local, national and global – of monitoring and reporting.

LoCAL and country staff monitor progress of new bridge construction in O'Chamnap, Battambang Province, Cambodia; photo © Cedric Jancloes/LoCAL-UNCDF



Project management and oversight

In 2014, the Secretariat expanded the LoCAL programme team by hiring a project manager (Africa), who also contributes to the global programme.

The first **LoCAL Global Programme Board Meeting** was held in New York in June 2014. The meeting was attended by representatives of five LoCAL participating countries (Benin, Bhutan, Cambodia, Mali and Nepal) and UNCDF. Attending partner organizations included the Korea Adaptation Center for Climate Change (KACCC) and the World Resources Institute (WRI). At the meeting, the Board approved the 2014 LoCAL workplan. The focus of the workplan was on rolling out LoCAL to new countries in Asia and Africa, and increasing awareness of the role of local governments in climate change adaptation among local and national governments and international development actors.

The Secretariat also initiated work to standardize the approach to scoping and country design processes.

Resources mobilized

The total budget for the LoCAL global programme is USD 40 million for the five-year period 2013–2018. As of the end of 2014, the LoCAL Secretariat had mobilized USD 12,036,000 for LoCAL expansion to new participating countries (Table 2). LoCAL donors included the European Union through the GCCA+ and geographical funding instruments, Sida, the Governments of Benin and Liechtenstein, UNDP-GEF and UNCDF. The Government of Belgium is expected to become a LoCAL donor in 2015.

Significant efforts were made to mobilize resources at both the global and country levels. As a result, by the end of 2014, an estimated USD 8 million in proposals were in the final stages of approval for LoCAL Bangladesh (Phase II), Cambodia (Phase II), and Mozambique (Phase I).

TABLE 2: LOCAL GLOBAL PROGRAMME FUNDING SOURCES (USD)

Funding source	Total resources
GCCA+	5,427,000
Government of Benin*	100,000
Government of Liechtenstein	110,000
Sida/Cambodia	1,618,487
Sida/PFIS	3,000,000
UNCDF	800,000
UNDP-GEF*	2,145,0000
Total	12,036,000

Note: PFIS = Partnerships Framework on Inclusive Growth and Sustainable Development. Sida/Cambodia resources are to be confirmed. Funding is as of 31 December 2014.

*Funded through parallel budget.

FINANCIAL IMPLEMENTATION

The planned LoCAL annual budget for 2014 was USD 2,791,340, based on available resources. Total disbursements were USD 2,310,280; this comprised 83 per cent of the budget, as outlined in Table 3.

The balance of USD 481,060 has been rolled over to 2015 to support LoCAL expansion into new countries.

Table 4 presents a breakdown of 2014 disbursements by output. The delivery rates for Outputs 1 and 2 in 2014 were 81 per cent and 84 per cent, respectively. Despite good success in establishing partnerships to increase adaptation finance for local governments (as discussed above), the delivery rate for Output 3 was only 9 per cent; Output 4 achieved a delivery rate of 94 per cent.

TABLE 3: 2014 LOCAL GLOBAL PROGRAMME BUDGET AND EXPENDITURES BY SOURCE OF FUNDS

Funding source	Budget (USD)	Expenditures (USD)	Delivery against budget (%)
Sida/PFIS	900,000	864,902	96
Sida/Cambodia	454,000	377,319	83
Liechtenstein	55,432	55,432	100
European Union	1,131,908	775,174	68
UNCDF	250,000	237,453	95
Total	2,791,340	2,310,280	83

Note: PFIS = Partnerships Framework on Inclusive Growth and Sustainable Development.

TABLE 4: 2014 LOCAL GLOBAL PROGRAMME BUDGET AND EXPENDITURES BY OUTPUT

Output	2014 budget (USD)	Budget allocation (%)	2014 expenditures (USD)	Delivery against budget (%)
1: Mainstreaming	1,838,718	66	1,488,081	81
2: Awareness	208,750	7	174,503	84
3: Finance	61,445	2	5,442	9
4: Implementation	682,426	24	642,252	94
Total	2,791,340	100	2,310,280	83

LESSONS LEARNED

Several lessons, outlined below, can be drawn from LoCAL's experience in pilot countries and in expanding the portfolio to new countries.

- **By providing incentives in the form of financial top-ups through PBCRGs, LoCAL can help build stronger and more transparent government financial systems.** To do so, the flow of funds and the PBCRG mechanism must be fully aligned with the existing system of inter-governmental transfers and follow the country's normal public expenditure management cycle. In this way, LoCAL funds are fully fungible with other resources available locally. In Benin, for example, the PBCRGs are aligned with the country's commune

development fund, the Fonds d'appui au développement (FADeC).

- **The LoCAL mechanism should be designed with great care, particularly in selecting minimum access conditions and performance measures.** Minimum conditions generally involve public financial management and good governance. In Mali, these conditions include the establishment of an agreement between the municipality and the central ministry, the functioning of the local bodies, past audit results, the funds' execution rate and reporting to the LoCAL committee. Performance measures are more qualitative; typically, they address the details of each functional area, such as quality of planning, quality of climate change



Well-targeted infrastructure projects, like this water gate in Battambang Province, Cambodia, easily garner popular support at the local level; photo: © Cedric Jancloes/LoCAL-UNCDF

management, etc. These measures are used to adjust the level of funds made available to local governments as and when they have complied with the minimum conditions. In Niger, the performance measures relate to climate information; local adaptation plans; integration of adaptation into local development plans, investment plans and budgets; citizen participation; implementation of adaptation measures; and reporting.

- **The size of the PBCRG must be gauged correctly.** The grant must be large enough to have an impact, but small enough to be fiscally sustainable and scalable. For example, the PBCRG in Ghana will constitute an average top-up of around 10–15 per cent of the District Development Fund for the enrolled metropolitan, municipal and district assemblies.
- **Changing people's attitudes, behaviour and practices is complex.** It is particularly complex when dealing with climate change, given the unpredictability of climate, the lack of data, and the uncertainty of success with new technologies and practices. Infrastructure projects such

as retrofitting a bridge or elevating a road are thus generally more appealing to sub-national governments and local communities as opposed to soft adaptation measures like awareness raising or vocational training. For this reason, infrastructural efforts comprise the majority of adaptation measures selected in LoCAL countries to date.

- **The participation of sub-national governments and local communities is integral to successfully planning and implementing adaptation at the local level.** To this end, Cambodia has used participatory vulnerability reduction assessment as part of its local development planning process and as a basis for responding to local adaptation needs.
- **A concept as innovative and ambitious as the PBCRG system needs long-term policy support.** As demonstrated in Bhutan and Cambodia, both policy support and knowledge management are needed so that the new mechanism is institutionalized and policy making is informed by field experience.

What's next



CONSOLIDATING THE PORTFOLIO

In 2015, LoCAL will consolidate its portfolio of initiatives, delivering PBCRGs in 11 countries. Bangladesh, Benin, Ghana, Lao PDR, Mali, Mozambique, Nepal, Niger and Solomon Islands will complete Phase I and prepare for Phase II based on lessons learned and experience gained; Bhutan and Cambodia will continue through Phases II and III. LoCAL will also begin Phase I scoping activities in three new countries – two in Africa and one in the Pacific.

SPREADING THE WORD

The LoCAL approach provides opportunities in all its activities for learning and distilling lessons to benefit participating countries, partners and other interested stakeholders. In 2015, LoCAL will strengthen its knowledge management and communication efforts by:

- organizing a lessons learned workshop;
- upgrading the LoCAL website;

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In Copargo, Benin, a new dike will enable year-round operation of gardens and nurseries; photo: © Joel Bekou/LoCAL-UNCDF



An elevated road helps connect people to basic services such as schools and hospitals in the Borei Chulsa District of Cambodia's Takeo Province; photo: © Cedric Jancloes/LoCAL-UNCDF

- creating and disseminating videos and other multimedia;
- developing country briefs and webpages to promote learning and to share experiences across countries;
- developing a database of successful adaptation measures used on the ground;
- developing a set of standardized training materials to be tailored for individual countries; and
- reaching out to various networks, including the European Commission's capacity4dev.eu, GCCA+ and others.

STRENGTHENING PARTNERSHIPS

LoCAL collaborates closely with partners whose specialties relate to the LoCAL approach and/or complement the PBCRG mechanism. In Asia, LoCAL has a proven track record with the [UNDP-UNEP Poverty-Environment Initiative \(PEI\)](#), conducting joint work in Bangladesh, Bhutan and Nepal to help mainstream climate change adaptation into local government planning. In 2015, further collaboration with PEI will be explored in African countries of common focus.

LoCAL will also build on partnerships with the [Korean Environment Institute](#) and the [WRI](#) to expand the knowledge base in the field of climate change adaptation and adaptation monitoring. And by furthering the existing partnership between UNCDF and the [Commonwealth Local Government Forum \(CLGF\) Pacific](#), LoCAL can access substantial knowledge and experience in local government and governance in the Pacific region.

CREATING A STANDARD

Feedback from and outcomes of the conferences and workshops in which LoCAL participated in 2014 highlight its potential as a mechanism for the international community to channel adaptation finance to the world's most vulnerable and remote areas efficiently and effectively.

In each country where it operates, the goal is to achieve a national LoCAL roll-out enabling all local governments to benefit from financial resources to integrate climate adaptation in their work. To do so means accessing financing through central governments for local governments from international funds such as the Green Climate Fund. In 2015, LoCAL will support a select number of LDCs in achieving this ambition, opening the door for others to follow.

Over the longer term, the vision for LoCAL is to become a global facility which provides expertise and support to bilateral, private and multilateral donors and partners in delivering PBCRGs across countries and regions, responding to the needs of the most remote populations and the most vulnerable countries.

The United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's 48 Least Developed Countries (LDCs). UNCDF uses its capital mandate to help LDCs pursue inclusive growth. UNCDF uses 'smart' Official Development Assistance (ODA) to unlock and leverage public and private domestic resources; it promotes financial inclusion, including through digital finance, as a key enabler of poverty reduction and inclusive growth; and it demonstrates how localizing finance outside the capital cities can accelerate growth in local economies, promote sustainable and climate resilient infrastructure development, and empower local communities. Using capital grants, loans, and credit enhancements, UNCDF tests financial models in inclusive finance and local development finance; 'de-risks' the local investment space; and proves concept, paving the way for larger and more risk-averse investors to come in and scale up.

LoCAL provides a mechanism to integrate climate change adaptation into local governments' planning and budgeting systems, increase awareness and response to climate change at the local level, and increase the amount of finance available to local governments for climate change adaptation.



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