

Good climate finance guide

Lessons for strengthening devolved climate finance

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The Climate Change Group works with partners to help secure fair and equitable solutions to climate change by combining appropriate support for adaptation by the poor in low- and middle-income countries, with ambitious and practical mitigation targets. The work of the Climate Change Group focuses on achieving the following objectives:

- Supporting public planning processes in delivering climateresilient development outcomes for the poorest
- Supporting climate change negotiators from poor and vulnerable countries for equitable, balanced and multilateral solutions to climate change
- Building capacity to act on the implications of changing ecology and economics for equitable and climate-resilient development in the drylands.

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Executive summary

Systemic change is needed to tackle the interconnected and complex global challenges of climate change, poverty and inequality, and biodiversity loss. Society's poorest, most marginalised and most excluded are the worst hit, yet have the least say. Radically increasing their access to resources, power and agency would enable them to lead on and contribute to local solutions on climate change, sustainable development and nature conservancy. This reprioritisation is vital to effectively deliver adaptation and climate resilience activities.

Systematically investing in local actors and their solutions would ensure climate finance delivers better adaptation outcomes and tackles the crisis in a more integrated, cost-effective, contextualised, accountable, democratic, equitable and agile way. Rather than simply being consulted or participating in adaptation, local people and their communities would have agency over adaptation design and decision making.

Insights from the Least Developed Countries' Initiative for Effective Adaptation and Resilience and the Global Commission on Adaptation's Locally Led Action Track highlight the need for more and better climate finance that reaches and supports local priorities. This paper seeks to support these local climate action agendas. Drawing from wide consultations, expert interviews and desk research, we present lessons and evidence of how a selection of climate funds and financing approaches are delivering devolved climate finance across six good climate finance principles based upon IIED's 'Money Where it Matters' research. Only around 10% of climate finance from these sources was prioritised to local-level activities between 2003 and 2016; through this analysis, we aim to support climate financiers to improve the quantity and quality of local adaptation financing.

Findings against the six good climate finance principles

Principle 1. Subsidiarity: Making decisions as close as possible to those most affected enables place-based design, local relevance and greater accountability to the poorest, excluded and marginalised.

- Although some climate funds provide guidance on engaging local actors, most adaptation planning happens at national level. Structural country ownership requirements can prevent finance from reaching the local level, particularly where inadequate time and resources are dedicated to enable full participatory planning. The Climate Investment Fund's Pilot Programme for Climate Resilience (PPCR) prioritises a community-driven resilience approach in Zambia and has facilitated strong local stakeholder engagement in Tajikistan.
- Devolution of investment decision making is increasing, but still limited. Enhanced Direct Access (EDA) projects under the Adaptation Fund and Green Climate Fund (GCF) seek to devolve subproject decisions to local actors, but international intermediation still dominates. Resisting overly hierarchical governance structures and understanding the need for sustained capacity building or local facilitation is important.
- 3. Mitigation and landscape management funds such as the Forest Investment Programme's Dedicated Grants Mechanism (DGM) and the Global Environment Facility's Small Grants Programme (SGP) — are devolving to local actors more effectively than adaptation funds. Although they still work through large intermediaries, they devolve grant management to national coordination bodies with community and indigenous peoples' representation. These funds could also represent opportunities to leverage convergence between adaptation and mitigation activities.

Principle 2. Robust decision making: Building local stakeholders' understanding of climate risk and uncertainty indicators ensures their decisions consider current and future climate risk and generational (local and traditional) knowledge.

- Global funds could do more to guide and support robust local adaptation. To access a climate fund, local actors have to use historical and downscaled climate data that are not widely available or suitable for use at local scale. Although implementing agencies have their own guidelines for climate risk management and decision making, the climate funds provide little guidance and support beyond supporting climate information service proposals. There is some evidence of robust decision making at project level.
- 2. There is some evidence of fund efforts to converge traditional and indigenous knowledge with climate science. Improving recognition of traditional and indigenous knowledge within monitoring, evaluation and learning systems or the predominantly nationally led adaptation planning could support these efforts. At project level, PPCR draws on village leaders' traditional knowledge to prioritise vulnerable districts in Tajikistan and the GCF project in Bhutan combines traditional and indigenous knowledge with local weather, seasonal and climate information.

Principle 3. Patient and predictable: Climate finance is needed on long-enough timescales to enable risks to be taken, capacities to be built and learning to happen.

- Most devolved climate finance is committed on short timescales of five years or less, even for programmatic approaches. This risks not building adequate local institutional capacities before funding ends. Antigua and Barbuda's innovative EDA project seeks to build the capacity of at least three 'wholeof-society' on-financing mechanisms. Longer funding horizons are emerging outside of dedicated devolved climate funding windows, with the Acumen Resilient Agricultural Fund set to receive a 12-year GCF equity investment.
- 2. By creating more accessible and dedicated finance for local actors, devolved funding windows like the DGM and SGP are enabling local organisations to expand and enhance their human and technical capacity. But overall in the landscape, funding remains largely unpredictable and is often slow to arrive for a number of reasons. For example, Indonesia's Samdhana prides itself on providing agile small grants, but negotiations with the World Bank led to significant delays.

Principle 4. Flexible: Because no adaptation intervention is perfect, flexible programming is crucial.

- Although they provide some budget flexibility, global funds must address inflexibility around eligible activities, English language-only funding procedures and often perverse co-financing incentives. The DGM and SGP have increased accessibility by supporting audio and video communications.
- 2. There is mixed evidence of adaptive management and learning at fund level. There is some evidence that learning spaces for local actors have been created, particularly in the DGM and PPCR. But funds are not always collecting locally relevant success indicators or recognising the need to integrate learning into project delivery from the beginning and most still emphasise top-down compliance.

Principle 5. Risk taking: Investing in institutions with little or no climate finance management experience and developing capacity early on is vital.

- Although smaller and devolved funds will take more risks, they still tend to favour compliance over early capacity building and risk taking. Some have simplified their funding approaches, but progress is slow. It took the DGM several years to agree 'no-objection' procedures with the World Bank, so funds could go directly to indigenous peoples' organisations.
- Climate funds can strengthen local institutions by changing what they view as success or failure. The DGM uses an 'empowerment pathway' approach, prioritising local organisations' fund management skills, community representation and ability to raise local issues at national and global levels, and embracing the failure of subproject objectives as learning-by-doing.

Principle 6. Converged: No single project, investment or institution can address all climate risks or vulnerabilities, so converging actions and investments across funders and governments is key. We found few references of cross-fund or cross-donor convergence, making this principle difficult to assess.

 Global climate funds are beginning to coordinate (rather than converge) some policies and procedures and support scaling up each other's pilot projects. Although they acknowledge that their lack of coordination and harmonisation makes them harder to blend and poses barriers for investment continuity, there was little evidence of collaboration with wider development finance. National focal points and champions can incentivise devolved finance and enable climate finance to flow within their country, whereas not favouring devolved or participatory climate financing can inhibit locallevel climate financing.

Strengthening devolved climate finance

Based on the case studies we reviewed, fully devolved climate financing — which gives local people agency over decision making — appears limited and short-term. Most climate finance benefiting local actors appears to be more towards the engagement end of the localisation spectrum. Climate financiers must prioritise an empowerment-based approach and invest in learningby-doing to enable the poorest, most marginalised and excluded actors to lead their own climate actions. We recommend that climate financiers review their funding procedures, structures and portfolios against these six climate finance principles, reflecting on how they can better promote an empowerment-based approach by:

- Providing simple, locally relevant policies and guidelines in local languages
- Accepting video submissions and audio descriptions of project objectives
- Avoiding hierarchical decision making that reinforces two-way (upward and downward) accountability and compliance
- Developing guidelines for locally relevant and robust adaptation principles that enable generational knowledge to be integrated with climate science
- Providing more patient finance over at least ten years
- Investing early in capacity building and learning to build institutional legacies
- Favouring learning-by-doing over ambitious resilience results frameworks
- Developing indicators that support locally led action, and
- Enabling greater budget flexibility.

Introduction

Climate finance can help initiate the systemic change needed to tackle the interconnected and complex global challenges of climate change, poverty and inequality, and biodiversity loss. Central to this change is investing in local solutions, developed and led by those who are most vulnerable to the impacts of climate change: the poorest, most excluded and most marginalised. To ensure these locally led solutions are capable of explicitly managing the uncertainties and complexities that these challenges manifest within different contexts, they must be supported by adequately resourced institutions that are capable of flexible responses to new and emerging crises (Ostrom 2014).

We must therefore systematically engage and enable the local actors who are more directly accountable to the poorest to lead a significant share of climate finance investments. This includes local authorities, locally controlled enterprises, democratically based community organisations, communities, households and individuals. Effectively providing climate finance to these local actors, through the right principles, can help address the marginalisation of the voices that matter most. This will tackle the interlinking crises more effectively, efficiently, sustainably and accountably (Soanes 2020).

Yet, climate finance needs to step up to the task: between 2003 and 2016, less than 10% of climate finance from global climate funds was dedicated to local action (Soanes et al. 2017). But it is not only an issue of quantity; the quality of climate finance provided can also be improved in this context. Most climate finance is directed to short-term interventions by distant 'experts', accountable to donors and aid agencies rather than to poor and vulnerable communities (Soanes et al. 2019). The tide is beginning to turn, and the Least Developed Country (LDC) Group is leading the way. As part of the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR), the group has committed at least 70% of the climate finance channelled through their national systems to support local-level action by 2030 (LDC Group 2019). The Global Commission on Adaptation has also launched its Locally Led Adaptation Action Track (LLAT), seeking to increase the recognition of locally led adaptation globally and mobilise at least US\$500 million in new financial commitments to support this by the end of 2020 (WRI 2019; Global Commission on Adaptation 2019).

To effectively address the global challenges of climate change, poverty and inequality, and biodiversity loss, more high-quality climate finance must reach those who need it most. The purpose of this report is to support donors and aid agencies seeking to step up to initiatives like LIFE-AR and the LLAT to understand what to invest in and how to design these investments to ensure their climate finance breaks from the norm by strengthening its quality and quantity to the local level. We emphasise that by this we mean initiatives that do not simply seek to deliver benefits at the local level, but rather seek higher degrees of localisation by supporting local people's agency over how their development and climate adaptation takes place. This goes beyond community engagement or participation. We have seen that business as usual is no longer working (Shakya et al. 2019; Box 1).

This report reviews the policies and procedures of a selection of global climate funds and other financing programmes against a set of good finance principles. Although they represent just 21% of total climate finance,¹ we chose to focus on the global funds as their experiences are widely published, allowing a representational insight to understand opportunities for improving climate finance in ways that strengthen adaptation and resilience outcomes.

We note that we review only fund-level guidelines; we do not review guidelines for the intermediaries that develop and implement projects supported by the funds. Nor is this a full review of the climate funds: we review select evidence to showcase trends and lessons from positive deviance. Importantly, it is not an evaluation of whether the funds are performing well against their core mandates. Rather, our aim is to identify trends in supporting devolved climate finance — particularly in building climate resilience — to provide an indication of the kinds of practice donors and aid agencies should expand for better-devolved climate finance, based on global climate funds' published experiences.

The case studies in Section 4 present select interventions that showcase key learnings. But we did not evaluate entire portfolios. Instead, we reviewed several case studies identified by the climate funds and other experts in the landscape to showcase trends and lessons. We selected the investments included in this study after wide consultations and interviews with actors across the climate landscape — from governments and country climate focal points, climate funds, multilateral development banks (MDBs), UN agencies, private sector, civil society and academia — and through desk research. Interviews with climate fund representatives focused on using a self-identification method for positive deviance to help us pick out the interventions they considered to be successful in relation to specific areas of the six principles of good climate finance, presented in Section 2.

We have included the case studies that provide clear evidence and learnings, and these are not representative of climate funds' whole portfolios. Many have active portfolios, where results and impacts have yet to happen, be captured or be reported. And because the evaluations and project documents we analysed seldom asked the same questions we address in this paper, we may have missed good practices from programming and projects on the ground. Future studies could apply this methodology to further investigate or fully evaluate a global climate fund, donor, aid agency or intermediary.

BOX 1. WHAT WORKS IN DELIVERING LOCAL CLIMATE ACTION?

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

¹ Based on Organisation for Economic Co-operation and Development (OECD) to non-OECD country flows of US\$72 billion and climate fund flows of US\$3.4 billion in 2017/18 (CPI 2019).

2

Principles of good climate finance

Given the scale of the escalating climate emergency, public adaptation finance is in short supply. This means we need to use what public climate finance is available as effectively and equitably as possible - predominantly to support the most vulnerable people. Initiatives like LIFE-AR and the LLAT are based on moral and subsidiarity imperatives, which stem from the premise that there are local institutions, skills, knowledge and expertise that can effectively deliver climate resilience for the most vulnerable at scale, and that local-level actors are entitled to a more equitable distribution of finance and a say in how that finance is used. Climate finance could play a role in this by supporting structures that can deliver more funds directly to local actors, empowering them to have greater decision-making power over the use of that finance. This would help nudge local actions onto climate-resilient development pathways and incubate them to deliver climate-resilient development at greater scale. However, evidence suggests there is a 'missing middle' in climate finance to support this (Shakya et al. 2019).

As Figure 1 illustrates, this 'missing middle' appears between the small-scale finance from community resources, small, short-term innovation finance grants and microfinance and the scaled up finance that is accessible only by institutions with a track record of delivery that can demonstrate their capacity to handle larger, longer-term financing. Incubation finance which allows actors to test and adjust their approaches, strengthen capabilities and build a track record, thus supporting a crucial stage of development for local institutions — is in short supply in this landscape (Soanes et al. 2019).

To better understand the concept of the missing middle of climate finance, we developed six criteria to review the eight funding mechanisms outlined in Section 3. These criteria are based on IIED's 'Money where it matters' principles for good international climate finance (Shakya et al. 2019) and good local climate finance (Soanes et al. 2019). IIED developed these principles in collaboration with local and global partners including the Huairou Commission, Slum Dwellers International, Women in Informal Employment: Globalizing and Organizing, the LDCs' Universities Consortium for Climate Change, the International Centre for Climate Change and Development, the Global Commission on Adaptation and the Global Resilience Partnership.

These principles are interconnected, with many contributing to one another (Figure 2). For each principle, we sought to identify examples and trends within the funds' policies and procedures and from the selected case studies.

Figure 1. The missing middle of climate finance



Figure 2. The interconnected principles of climate finance delivery for locally led climate action



Principle 1. Subsidiarity: The subsidiarity principle assumes that climate resilience interventions and/ or decisions should be made at the lowest level of governance and as close as possible to poor, excluded and marginalised people, unless it is more effective to make them at a higher governance level. This principle therefore seeks to understand where climate finance is being provided on the principle of subsidiarity. This includes measures to support governance mechanisms and institutions to give local actors space where they can make and lead climate resilience decisions. The indicators we sought to identify include:

- Climate finance is accessible by and devolved to local actors
- Local and marginalised people's participation and leadership skills are strengthened, and
- Local partnerships (or consortiums) are built.

In analysing this principle, we recognise that localising climate finance can take place on a spectrum (Box 2). We attempted to find examples of full localisation, where initiatives do not seek to simply deliver benefits at the local level, but rather to support local people's agency over how their development and climate adaptation takes place. This goes beyond community engagement or participation. It is also separate from the issue of local actors being able to adequately raise grievances over environmental and social risks. We found, however, that full localisation was neither clear nor present in many cases, so our examples include cases with limited localisation, such as multistakeholder engagement.

BOX 2. SPECTRUM OF LOCALISATION

Local climate action can be categorised along a spectrum of localisation:

- 1. No localisation: International and national organisations implement directly without systematic engagement with local organisations and vulnerable people over the distribution and use of climate finance directed to an area.
- 2. Limited localisation: Local organisations and vulnerable people are systematically engaged in externally framed decision making over the distribution and use of climate finance.
- 3. Partial localisation: Local organisations and vulnerable people are systematically engaged as equals in externally framed decision making over the distribution and use of climate finance.
- 4. Strong localisation: Local organisations and vulnerable people collaboratively determine decision making over the distribution and use of climate finance with international and national organisations.
- Full localisation: Local organisations and vulnerable people lead in determining the use of climate finance with national and international organisations offering support where requested or invited to by local actors.

Source: Adapted from Green (2018). See also Glennie et al. (2013)

Principle 2. Robust understanding of climate risk

and uncertainty: All pro-poor and local approaches to building resilience will require a robust scientific understanding of current and future climate risks and their uncertainty. Not doing so could lead to maladaptation. There is also a wealth of local, traditional and indigenous knowledge on climate change and local risks and vulnerabilities; but without understanding the range of possible climate futures, these could also lead to maladaptation. This second principle seeks to understand where climate finance is being used to help broker knowledge on climate risk and its uncertainties with local communities. It also seeks to embed this knowledge within traditional and indigenous knowledge systems. The indicators we sought to identify include:

 Short and long-term climate risk information is being developed participatively and mainstreamed into local decision making

- Scientific and indigenous climate information and generational (traditional, indigenous and local) knowledge are integrated, and
- Capacities are strengthened to interpret and use climate information, particularly climate uncertainty.

Principle 3. Patient and predictable: Strengthening climate resilience effectively, especially at the local level where capacities may be low and need strengthening over time, requires finance over long timescales of at least ten years. Finance must also be predictable from year to year and into the future to prevent progress from being lost, and enable partnerships to be built and trust to be established. Climate financiers should be willing to invest beyond output-based project delivery in long-term partnerships and integrated, outcome-based programmes. Ideally, they should also invest in governance arrangements and institutions. The indicators we sought to identify include:

- Climate finance is committed for multi-year allocations, ideally ten years and above
- Climate finance is predictable from year to year and into the future, and
- Climate finance is reliably accessible to improve predictability of flows.

Principle 4. Flexible programming: Good climate resilience investments need to be agile and adaptive to changing contexts. As there are no perfect resiliencebuilding interventions, rigid approaches could increase the likelihood of maladaptation and limit innovation. Climate finance should therefore be provided flexibly, with an emphasis on and adequate support for regular monitoring and learning, to help build agile institutions that can support local investments. Occasional 'failures' in investment implementation should be accepted, as they can lead to good learning. The indicators we sought to identify include:

- Climate finance budgets are provided flexibly to be responsive to changing contexts, circumstances, risks and opportunities, and
- Programming focuses on iterative learning, including through adequate support for monitoring, evaluation and learning (MEL) systems, especially peer-to-peer learning.

Principle 5. Risk taking: Many local actors and institutions may fail to meet donors' fiduciary hurdles and pro-poor programmes and mechanisms may not be used to interacting with climate finance. Both circumstances can create high perceived risk. Climate financiers should be willing take risks by trialling new or innovative approaches and investing heavily in local capacities that may not deliver returns until later. Climate financiers should also consider the risk of not investing. The indicators we sought to identify include:

- Climate finance is being invested in innovative or new approaches, institutions or governance arrangements that have received limited or no climate finance before but have the capacity to innovatively address development and adaptation deficits that cause underlying vulnerabilities, or have no track record of managing climate finance, and
- There is significant investment in building capacities early on, allowing the possibility of less immediate tangible outcomes, to build skills and capabilities for more transformational approaches over time.

Principle 6. Converged: No single climate finance investment or programme can address all climate risks nor all surrounding enabling conditions that impact the success of climate resilience investments. A whole-ofsociety approach is needed, with convergent efforts between donors, aid agencies, central and subnational governments, the private sector and civil society. This goes beyond business-as-usual donor coordination; converging financial resources, research, technical assistance and investment finance to achieve greater and longer-lasting impact. Donors and aid agencies can collaborate to reduce each other's financing constraints and provide better-targeted support to different aspects of an issue, thus supporting more robust resilience building. Indicators we sought to identify include:

- Donors should seek to converge their initiatives to strengthen the enabling environment more strategically, and
- Donors should converge their support and integrate their research, technical support and investment finance to maximise the institutional legacy they leave behind.

3

Getting to know global climate financiers

Climate finance does not yet have an agreed universal definition. The UN Framework Convention on Climate Change (UNFCCC) terms it as finance provided by developed countries (Annex I under UNFCCC) to developing countries (Non-Annex Parties under UNFCCC) to help them reduce or avoid producing greenhouse gas emissions (mitigation) and/or build their resilience to current or future impacts of climate change (adaptation).² In practice, climate finance should be used to tip climate action into viability — through additional resources to ensure meaningful social and environmental sustainability, by de-risking wider investments or by supporting experimental and innovative approaches as proof of concept (Patel et al. 2020).

This report focuses on adaptation finance, which is in far shorter supply than is needed. The UN Environment Programme (UNEP) estimates that developing countries will need US\$300 billion for adaptation by 2030; yet in 2016, only US\$10.4 billion was committed for developing countries, a rise on all previous years (Richmond et al. 2019). To achieve any transformational change in developing countries' climate resilience, a significant increase in adaptation finance — that at least meets the balance with mitigation finance agreed at COP21 in Paris (UNFCCC 2015) — is essential. Global climate funds, which provide climate finance, have been set up within and outside of the UNFCCC. In 2015–16, they provided roughly US\$500 million in adaptation finance to developing countries (Richmond et al. 2019). Although they provide only around 5% of total adaptation finance flows, these funds provide a useful benchmark for how climate finance is programmed, as they tend to be more transparent than other flows. The two biggest — the Green Climate Fund (GCF) and Climate Investment Funds (CIF) — are also undergoing replenishments, indicating their continued importance.

In Section 4, we present selected investments (projects and programmes) that showcase learnings. But a critical aspect of reviewing and understanding the nature of the selected interventions is in understanding the broader institutional context of the funds themselves, as they have a large influence on how projects or programmes are proposed, what incentives and disincentives surround the political economy of project or programme development and implementation, and how delivery is guided.

This section is an overview of the policies and procedures of several climate financing mechanisms, selected through wide consultation with actors across the climate landscape. Although we reviewed

² UNFCCC. Introduction to climate finance. https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance

more mechanisms than we have included here, we discarded those that could not provide clear evidence and learnings.

Our evidence is drawn from eight funding examples. These include six global climate funds or programmes: the GCF; the Adaptation Fund (AF); the Global Environment Facility's (GEF) Small Grants Programme (SGP) and Least Developed Countries Fund (LDCF); and the Pilot Programme for Climate Resilience (PPCR) and Forest Investment Programme's (FIP) Dedicated Grants Mechanism (DGM), both under the CIF. These are either the largest funds or have been testing how to get climate finance to the local level. We also look at two financing programmes — the UN Capital Development Fund's Local Climate Adaptive Living Facility (LoCAL) and the World Bank's community-driven development (CDD) approach — that illustrate key examples of financing for local-level action.

Green Climate Fund

The world's largest climate fund, the GCF has US\$8.2 billion in confirmed contributions and another US\$9.8 billion in pledges for the first replenishment (GCF 2020a, GCF 2020b). It aims to finance countrydriven projects that create a 'paradigm shift' in both adaptation and mitigation, providing balanced support for both (GCF 2011). The GCF reserves half of its adaptation resources for LDCs, Small Island Developing States (SIDS) and African states. As of March 2020, it had approved 129 projects with a total commitment of US\$5.6 billion (GCF 2020a).

The GCF channels funding through accredited entities — organisations that manage funding and support project delivery from initiation through to management and monitoring.³ There are currently 97 approved accredited entities,⁴ split between two groups. International access entities — which do not need to be nominated by developing country national designated authorities and include UN agencies, MDBs, international financial institutions and regional institutions — channel 86% of funding. National direct access entities — which must be nominated by developing country national designated authorities and include subnational, national or regional institutions in recipient countries — channel the remaining 14%.

To help countries access the fund, the GCF's Readiness and Preparatory Support Programme offers each country up to US\$1 million a year for institutional capacity building, coordination, policy, planning and programming for investment. Of this overall amount, countries may request up to US\$300,000 a year in direct support to help establish or strengthen a national designated authority or focal point to enable them to access the full array of GCF resources. The GCF notes that this amount is not an allocation per country, amounts are dependent on each country's readiness proposals and needs. Countries can also apply for up to US\$3 million on top of this, to formulate their national adaptation plans (NAPs) and/or for other adaptation planning. This may include support for subnational adaptation plans and/or sectoral adaptation planning (GCF 2020f). Under its readiness programme, the GCF has approved 363 projects in 136 countries with total funding of US\$235.2 million.

To steer funding allocations across the fund's objectives, the GCF has several active windows with allotted funding to provide targeted support. Those relevant for supporting local climate action include:

- Enhanced Direct Access (EDA), which aims to enhance subnational, national and regional entities' access to the GCF by supporting devolved decision making and strong local multistakeholder engagement (GCF 2019). To date, the GCF has allocated US\$200 million for at least ten pilots, including four in SIDS. By March 2020, it had approved two projects: a US\$20 million grant towards a US\$22.6 million programme in the Eastern Caribbean supporting public, private and civil society actors to improve the resilience of infrastructure to withstand Category 5 hurricanes (Case study 1); and a US\$10 million grant, the full programme value, to support community-based natural resource management in Namibia (Case study 2).
- Project Preparation Facility, which is accessible by all accredited entities, especially direct access entities and for micro to small projects. It provides up to US\$1.5 million in financial and technical assistance for project or programme preparation. The facility has supported 29 projects in 24 countries, with total funding of US\$18.6 million.
- Simplified Approval Process (SAP), which simplifies the application process, thus reducing the time and effort needed to prepare, review, approve and disburse funds for proposals for certain activities. The SAP process is available for proposals with a budget of up to US\$10 million and for projects that are ready to scale up and have the potential for transformational impact with minimal environmental and social risk. The SAP pilot has approved 13 projects to date — five from direct access entities totalling US\$150.7 million (GCF 2018a; see also GCF IEU 2020).

³GCF. Entity accreditation. www.greenclimate.fund/accreditation ⁴GCF. About us: Partners. www.greenclimate.fund/about/partners/ae

• **MSME Pilot,** which aims to support micro, small and medium enterprises (MSMEs) at all stages of growth to increase their resilience, and to test business and institutional models and financial instruments with a US\$100 million allocation window. As of March 2020, the pilot had approved three proposals, totalling US\$60 million (GCF 2020d).

Adaptation Fund

The AF became operational in 2009 to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol. It was originally designed to disburse finance raised from the Clean Development Mechanism, the UNFCCC's carbon markets mechanism that has since collapsed. The AF now also officially serves the Paris Agreement, aiming to increase climate change resilience through concrete, country-driven adaptation projects, allocating resources capped at US\$10 million per country (Adaptation Fund 2019a and 2018). Countries can also submit proposals worth up to US\$14 million for regional (multi-country) projects and programmes.

Since 2010, the AF has received US\$978 million in contributions and committed US\$716 million across 102 adaptation projects. One of its key strategic priorities aims to target adaptation measures to those who are most in need: "In developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities" (Adaptation Fund 2019i).

Like the GCF, the AF channels funding through national, regional and multilateral implementing entities accredited by the board. To help enhance country ownership in addressing climate change, the fund has pioneered and emphasises direct access through national implementing entities (NIEs) and placing a 50% cap on international multilateral implementing entities' access to its portfolio. There are currently 12 multilateral, 32 national and 6 regional implementing entities (Adaptation Fund 2020).

To steer funding allocations across its objectives, the AF has several active windows with allotted funding to provide targeted support. Those relevant for supporting local climate action include:

 Streamlined accreditation process: Available for national institutions typically seeking access to less than US\$5million. This process does not change the AF's fiduciary standards, but it helps smaller NIEs to demonstrate their fiduciary competency. The process involves instituting mitigating measures and controls that support NIEs to identify and implement viable alternative processes to meet the fiduciary requirements (Adaptation Fund 2015).⁵

- Readiness support: To help countries access the fund directly, the AF offers two forms of readiness support to NIEs: project formulation grants of up to US\$30,000 to support project preparation and design; and project formulation assistance grants of up to US\$20,000 to support specialist technical assessments — such as environmental impact, vulnerability or risk assessments and gender studies - during project preparation and design. The fund also offers readiness grants for capacity and technical assistance to develop environmental and social safeguards, mainstream gender-related issues or gain accreditation through South-South cooperation support, as well as a readiness package grant that provides accreditation support to developing countries through an intermediary.
- EDA: The AF also supports EDA-type investments, promoting the use of mechanisms to devolve decision making on finance programming further downstream to national and subnational levels. It has approved nationally led EDA-type initiatives in South Africa (Case study 3), Costa Rica (Case study 4), the Federated States of Micronesia, the Cook Islands, Samoa, and Antigua and Barbuda (Adaptation Fund 2019g).⁶ Like the GCF, the AF is looking to build on these experiences by creating a dedicated EDA window for NIEs, as detailed in its medium-term strategy (Adaptation Fund 2019h). It is expected to approve the window's operational modalities at its 36th meeting.
- Innovation grants: The AF has a US\$2 million innovation facility, which aims to provide at least 28 small grants of up to US\$250,000 for NIEs. At the COP25 UN climate change conference in Madrid, it also launched a US\$10 million pilot innovation programme to support around 45 small grants, administered through a multilateral implementing entity aggregator platform, via the UN Development Programme (UNDP) and UNEP (Adaptation Fund 2019c). This innovation programme is available to non-accredited local institutions, including nongovernmental organisations (NGOs), community groups and young innovators. It aims to support innovations in adaptation practice, tools and technologies and generate an evidence base of effective, efficient adaptation practices, products and technologies.

⁵ Also Adaptation Fund. Policies & guidelines. www.adaptation-fund.org/documents-publications/operational-policies-guidelines/
⁶ For more information on the projects not included in Section 4, see https://tinyurl.com/y8b7ylwg (Federated States of Micronesia), https://tinyurl.com/y6vqmjvp (Cook Islands), https://tinyurl.com/y9kojc57 (Samoa) and https://tinyurl.com/yaow5egr (Antigua and Barbuda).

 Learning grants: Grants of up to US\$150,000, available to NIEs only, aim to complement collaborative knowledge and effort sharing between diverse stakeholders on the ground. These grants are to supplement knowledge management activities already financed under approved investments and are only available after a project or programme's midpoint. The AF learning grants support three types of activity: transferring knowledge from one NIE to another; transferring knowledge from a NIE to the wider climate adaptation community; and developing knowledge and guidelines through partnerships.⁷ The fund hopes that these learning grants will enable it to capture more detailed experience and lessons from EDA and devolved financing.

Small Grants Programme (GEF)

The GEF was established on the eve of the 1992 Rio Earth Summit to help tackle the planet's most pressing environmental problems. Since then, its funds and programmes have provided close to US\$20 billion in grants and mobilised US\$107 billion in co-financing for more than 4,700 projects in 170 countries. The longestserving financial mechanism under the UNFCCC, the GEF also supports other UN environmental conventions, as well as the Montreal Protocol and activities related to international waters. As a result, the facility supports projects across six focal areas: climate change, biodiversity, land degradation, international waters, chemical and waste, and ozone.

Launched in 1992, the SGP is dedicated to financing local civil society actions that promote sustainable development and global environmental benefits. Active across 125 countries, the SGP works through a decentralised country-level delivery mechanism to empower local civil society organisations (CSOs) and poor and vulnerable communities, including indigenous peoples and women. Through this programme, the GEF has supported nearly 24,000 initiatives in 128 countries.

As the implementing agency of the SGP, UNDP manages the programme at global level. The UN Office for Project Services serves as executing agency in most countries, while in some upgraded countries, a local NGO performs this role. At national and local levels, country programme teams — consisting of a national coordinator, programme assistant and national steering committee — oversee the programme. The national coordinators give technical support to grantees, monitor project implementation and help share best practice. The steering committees are multisectoral decisionmaking bodies that approve small grants and help formulate country programme strategies. Aligned to the SGP global strategic framework but tailored to country conditions, these strategies define priority landscapes, seascapes and thematic areas to guide the committees' grant-making decisions. The steering committees also oversee monitoring and evaluation (M&E) and promote the SGP at national and international levels.

The SGP provides up to US\$5,000 for preparation grants, up to US\$50,000 for project grants and up to US\$150,000 for strategic projects that support scaling up across several communities. Between July 2018 and June 2019, 326 grants were under implementation with climate change mitigation objectives, totalling US\$10.9 million of direct GEF support and another US\$13.9 million in co-financing (GEF SGP 2019a). Over the same period, there were 146 SGP active climate adaptation grants totalling US\$4.9 million, financed by resources from the government of Australia.

Least Developed Countries Fund (GEF)

Designed to address the special needs of the LDCs under the UNFCCC, the LDCF supports the world's most vulnerable countries in their efforts to adapt to the effects of climate change. Since it was established in 2001, it has provided over US\$1.3 billion in grant financing for more than 280 projects, making it the largest portfolio of climate adaptation projects in the LDCs. All LDCF finance goes though the GEF's accredited institutions, which are predominately MDBs and UN agencies (GEF IEO 2019, GEF LDCF/SCCF 2018).

The LDCF helps countries prepare and implement their national adaptation programmes of action — countrydriven strategies that identify LDCs' most immediate needs to adapt to climate change. Target sectors include water, agriculture and food security, health, disaster risk management and prevention, infrastructure and fragile ecosystems. The LDCF focuses on reducing the vulnerability of key sectors by financing on-theground adaptation activities that provide concrete results in support of vulnerable communities. The fund

⁷ Adaptation Fund. Adaptation Fund learning grants. www.adaptation-fund.org/knowledge-learning/learning-grants/

also gives substantial in-country capacity building support. In 2018, the GEF provided US\$96.6 million to support capacity-building activities for climate action in developing countries; of this amount, US\$21.7 million was allocated to climate change adaptation activities.

Pilot Programme for Climate Resilience (CIF)

Administered by the World Bank, the CIF works through the World Bank Group (which includes the International Finance Corporation) and four other MDBs: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank. The CIF has two distinct funds, the Clean Technology Fund and the Strategic Climate Fund. The latter contains three programmes, the Scaling-Up Renewable Energy Program for Low-Income Countries (SREP), the FIP and the PPCR (CIF 2020a). The Clean Technology Fund and SREP focus primarily on mitigation through renewable energy, so we focused on the other two programmes.

Approved in November 2008, the PPCR is an adaptation programme that aims to scale up finance for adaptation actions and resilience building. With total funding of US\$1.1 billion, it is one of the largest sources of adaptation finance to date. As of June 2019, the programme had committed US\$993 million of its funding to 65 projects across 18 countries and 2 regions (CIF 2019c).

The PPCR uses a two-phase programmatic approach to help governments integrate climate resilience into strategic development planning across sectors and stakeholder groups and provides concessional and grant funding to put these plans into action and pilot innovative public and private sector solutions. This approach pursues linked investment projects' and activities' long-term strategic arrangements to achieve large-scale, systematic impacts and abilities to take advantage of synergies and co-financing opportunities. As is the case throughout the CIF, it also emphasises local stakeholder engagement as a central design element (CIF 2020c). The PPCR has invested about US\$300 million, including co-financing, in vulnerable countries to upgrade climate data and services for more informed and climate-smart planning and project design.

Forest Investment Programme (CIF)

Approved in May 2009, the FIP provides scaled up financing for readiness reforms and public and private investments to address the underlying causes of deforestation and forest degradation in developing countries. It seeks to help overcome barriers that have hindered these forest protection and regeneration efforts by supporting land recognition, registration and titling, and developing land use monitoring, planning and management systems.⁸ It aims to help governments, communities and business stakeholders work together to support the people and economies that rely on forests while maintaining the important environment services that forests provide.

The FIP deploys a wide range of financial instruments to support these aims — including loans, grants, budget support, guarantees, credit and equity via the MDBs. It has US\$738 million in pledged resources and has allocated US\$686 million across 53 projects in 14 developing countries (CIF 2019b).⁹ National governments in FIP-funded countries develop national investment plans to be approved by the FIP subcommittee. These plans may include direct financial investments into public village funds and grants to support alternative livelihoods that will reduce pressure on forests.

In this report, we examine the FIP's DGM, a US\$80 million grant window that sits alongside the main pot of FIP finance. Designed and led by indigenous peoples and local community (IPLC) representatives from FIP funded and non-funded countries, it channels funding directly to indigenous and local communities to enhance their capacity to engage and contribute to national reducing emissions from deforestation and degradation (REDD)+ dialogue and actions (CIF 2019b).⁹The DGM has two funding streams: grants for capacity building and REDD projects in pilot countries and a global knowledge management system that disseminates lessons learnt on community forestry projects to non-pilot countries (ITAD 2019). IPLC representatives govern subproject grant making and engage in nationallevel REDD and FIP processes.

The DGM is the largest global REDD+ initiative created solely for and by indigenous peoples and local communities. The FIP provides up to US\$500,000 per project. IPLC projects requesting less than US\$50,000 need to provide a concept note, as opposed to

⁸CIF. The strategic climate fund. www.climateinvestmentfunds.org/node/5

⁹ Also CIF. Forests, development and climate: achieving a triple win. FIP factsheet. www.climateinvestmentfunds.org/sites/cif_enc/files/fip_factsheet_0.pdf

submitting the full proposal required for higher amounts. The DGM has nine active country projects with a total of US\$50 million in approved funding; that is US\$4.5–6.5 million per country. Three more country projects are under preparation. Each country project is governed by IPLC representatives, who form part of the national steering committee (NSC), and is supported by an executing agency selected by the NSC. The NSCs determine the priorities and types of subproject that their country project will finance and select the subprojects that will be financed.

Local Climate Adaptive Living Facility (UNCDF)

LoCAL is the first of two financing programmes we look at that channel financing for local-level action, supporting local governments with climate change adaptation activities.

The UN Capital Development Fund (UNCDF) established LoCAL in 2011 to increase awareness and capacities to respond to climate change at the local level. LoCAL integrates climate change adaptation into LDCs' local government planning and budgeting systems by increasing the finance available to local governments and the communities and economies they serve for climate change adaptation.

LoCAL channels financing through the Performance-Based Climate Resilience Grants (PBCRG) system, which incentivises local governments to target adaptation measures while increasing transparency and accountability. As well as enabling verification of climate change expenditures at the local level, the system provides technical and capacity-building support to improve organisational performance. These grants are financial top-ups intended to cover the extra cost of making investments climate resilient and/or of additional investments for climate change adaptation. They are channelled through existing fiscal transfer mechanisms, complementing regular allocations from central to local government through each country's intergovernmental fiscal transfer system. They include a set of minimum conditions, performance measures and a menu of eligible investments that are aligned with NAPs and nationally determined contributions (NDCs) (UNCDF 2019a).

By the end of 2019, LoCAL had engaged 280 local governments, representing over 10 million people in 14 countries across Africa, Asia and the Pacific. Another nine countries had formally requested to join, bringing the number of member countries to 23, including 21 LDCs (UNCDF 2020a and 2020b).

LoCAL is governed by a board composed of the 23 member countries and co-chaired by the chair of the LDC Group on Climate Change to the UNFCCC and the chair of the Coordination Bureau for the LDC Group to the UN Office of the High Representative for the LDCs, Landlocked Developing Countries and SIDS (UN-OHRLLS). Board observers include the European Union (EU), the governments of Sweden and Korea, GCF, UNFCCC, NDC Partnership, the World Resource Institute, the AfDB, the West African Development Bank (BOAD), the Organisation of African, Caribbean Pacific States and ICLEI - Local Governments for Sustainability. The member countries, convened at the board, set the vision for LoCAL to "become a standard and internationally recognized country-based mechanism for Developing Countries in particular the LDCs, that supports direct access to the GCF and other climate finance entities and mechanisms to transfer resources to local governments through national systems for building verifiable climate change adaptation and resilience" (UNDCF 2020c), in support of increased climate finance for subnational and local climate action.

In April 2019, the LDC Expert Group to the UNFCCC endorsed the LoCAL guidelines for financing local adaptation to climate change (UNCDF 2019b) as supplementary material to the UNFCCC NAP technical guidelines. The LoCAL publication helps developing countries and LDCs create intentional and strategic linkages between their NAPs, NDCs and subnational level in a coordinated and standard manner, bringing a financing dimension to the vertical integration of the NAP and NDC processes.

By the end of 2019, LoCAL had mobilised US\$80 million from various climate funds - particularly the EU Global Climate Change Alliance, the AfDB Adaptation Climate Change Fund, the Cambodia Climate Change Alliance, Benin National Fund for Environment and Climate (FNEC) - as well as bilateral, UN and domestic funding. It had also delivered US\$28 million through grants and technical assistance, financing 960 local-level climate change adaptation interventions (UNCDF 2020a and 2020b). Following the GCF accreditation of FNEC in Benin and the National Committee for Subnational Democratic Development - Secretariat (NCDD-S) in Cambodia, LoCAL is also supporting US\$60 million worth of projects for GCF financing to further scale up the mechanism to an estimated 130 local governments, with more under preparation.

Community-driven development (MDBs)

The other financing programme we consider in this review is the MDBs' community-driven development (CDD) approach. Although not focused on climate, we decided to include this approach because it is broadly focused on building local resilience and its programmes have shown how to improve community resilience outcomes. As such, the CDD mechanism provides much learning in this area.

The MDBs' CDD approach gives finance and decisionmaking authority directly to communities or devolved local governments. Its projects have been widely implemented across the world, initially championed by multilateral institutions like the World Bank and now increasingly implemented through national government schemes that are co-financed by donors and national governments.

As of June 2019, the World Bank had 219 active CDD projects in 79 countries, with a total lending of

US\$21 billion. There are many forms of CDD, and its principles often become part of larger government decentralisation and social protection programmes. The approach has been effective for building muchneeded, small-scale infrastructure over large areas, especially in conflict-affected countries that lack good governance. In general, the MDBs provide block grants to participating villages and villagers, giving them control over how they invest the money by democratically electing their own committees and councils to plan, implement and oversee grant operations (Wong and Guggenheim 2018). 4 Climate finance in action: case studies

In this section, we present a few select interventions that have been successful in relation to specific areas of the principles of good climate finance and were able to provide clear evidence and learnings. The evidence we present here showcases trends and lessons from positive deviance. As already noted, we selected the interventions included here following wide consultation with actors across the climate landscape, including climate fund representatives.

Case study 1. Strengthening resilience in the Eastern Caribbean¹⁰

Funder:	GCF	
Implementing entity:	Department of Environment, Antigua and Barbuda	
Countries:	Antigua and Barbuda, Dominica and Grenada	
Project name:	Integrated physical adaptation and community resilience through an EDA pilot in the public, private and civil society sectors of three Eastern Caribbean SIDS	
Approved:	2018	
GCF financing:	US\$20 million grant over four years	
Total project amount:11	US\$22.6 million	

This project supports the three Caribbean countries to strengthen their resilience to climate change, particularly to the rising risk of hurricanes. Although the project is yet to produce tangible results and lessons, its design tackles the short-term nature of GCF's EDA funds by prioritising an empowerment approach (GCF 2018b).

Its main objectives are to create a legacy of three to six financing mechanisms that can deliver grants or loans to locally led resilience investments. At least three of these institutions should be accredited to the GCF before the project close, to ensure the project's sustainability and continued access to GCF investment and resilience funds. It has taken a whole-of-society approach, including some organisations that have not received or managed climate finance before. The project will make US\$6.5 million available for each country, split between:

Public sector on-granting: US\$3 million to government line ministries for concrete adaptation activities at the sub-watershed and village level, to be developed in close consultation with local governments. Proposed grant managers are the Departments of Environment in each country.

On-granting to local organisations: US\$1 million for on-granting to community groups, local NGOs and CSOs through a competitive facility, with projects capped at US\$50,000. Possible grant managers include the Antigua and Barbuda Marine Ecosystems Protected Areas Trust, the Dominica National GEF SGP and the Grenada Sustainable Development Trust (set up via GIZ, the German development agency) or the Grenada Basic Needs Trust Fund (set up by the Caribbean Development Bank).

Private sector on-lending: US\$2 million for microfinancing to homeowners and small businesses. The revolving fund will be capped at US\$75,000 each. Possible loan managers include the Antigua and Barbuda Sustainable Island Resource Framework Fund, the Dominica Climate Change Trust Fund or the Dominica Agricultural Industrial and Development Bank, and the Grenada Development Bank.

Capacity building: US\$500,000 to produce decision support tools for understanding and assessing climate risk for the financial institutions and local actors seeking access to subgrants. This will help them develop transparent decision making, environmental and social safeguards and enhance their project management skills. It is hoped that at least 90% of project beneficiaries will report that investment decision making has been inclusive.

¹⁰ Sources for this case study: GCF (2020c and 2018b).

¹¹ This is the sum of the intervention's fund financing and co-financing.

Case study 2. Creating climate-resilient livelihoods in Namibia¹²

Funder:	GCF	
Implementing entity:	Environmental Investment Fund (EIF)	
Country:	Namibia	
Project name:	Empower to adapt: creating climate-change resilient livelihoods through community- based natural resource management in Namibia	
Approved:	2016	
GCF financing:	US\$10 million grant over five years	
Total project amount:	US\$10 million	

The project builds on the Community Based Natural Resource Management (CBNRM) Network of communal conservancies and community forests in rural Namibia, which seeks to devolve wildlife, tourism, forest and now climate-resilience rights to rural communities. The network comprises 200,000 residents and 82 communal conservancies covering 32 forests. Before the start of this project, the network had little access to climate finance and limited technical and human resources to deliver adaptation.

The project will deliver two components:

- Capacity building and community support: US\$893,500 to strengthen the CBNRM Network's institutional capacity to deliver climate-resilient investments, including climate monitoring systems, governance and the ability to lead community resilience initiatives.
- **Resilience grant facility:** US\$7.98 million in grants to finance devolved resilience investments developed by legally recognised community-based organisations (CBOs) that are part of the CBNRM Network. The project will provide at least 33 grants, averaging US\$240,000 each, over periods of up to three years, for climate-resilient agriculture, climate-resilient infrastructure and ecosystem-based adaptation. Recipient organisations will have to demonstrate the capacity to develop and implement fundable subgrants directly and on their own. If they cannot do so, they can partner with a capable external organisation, which must show how they will adequately up-skill their partners.

Case study 3. Enabling rural farmers and vulnerable communities to respond to climate change in South Africa¹⁸

Funder:	Adaptation Fund	
Implementing entity:	South African National Biodiversity Institute (SANBI)	
Country:	South Africa	
Project name:	Taking adaptation to the ground: a small grants facility for enabling local-level responses to climate change	
Approved:	2014	
AF financing:	US\$2.44 million over five years	
Total project amount:	US\$2.44 million	

The project aims to devolve subgrants to rural farmers and vulnerable communities so they can identify, design, implement and report on their own resilience interventions, with support from facilitating agents. Its Small Grants Facility (SGF) has three financing windows: climate-smart agriculture, climate-resilient livelihoods and climate-proof settlements.

The subgrants are intermediated through SouthNorth, a South African NGO that works through extensive networks to help facilitate whole-of-society policy and knowledge interventions, partnerships and deep collaboration. Three facilitating agents — Conservation South Africa, CHoiCe Trust and the Mopani Facilitating Agency — support CBOs to develop projects that address climate risks, show a clear, demonstratable and tangible adaptation benefit for vulnerable communities, support concrete actions and particularly benefit women. The project has allocated US\$1.5 million to these investments; US\$325,000 to building CBOs' institutional capacity; and US\$189,000 to learning throughout the project to contribute to a future sustainable national small grants facility for community-based adaptation.

So far, the project has supported 14 grants for climate-smart agriculture, 9 for climate-resilient livelihoods and 5 for climate-proof settlements, at around US\$100,000 each. A mid-term evaluation (Soal and Diedericks 2018) found that:

- It has successfully devolved subgrants to the local level, supported significantly by the facilitating agents. The experience of the facilitating agents and SouthSouthNorth shows the importance of early and extensive facilitation and capacity building before delivering subgrants. Governance and decision making, however, has been overly hierarchical, possibly undermining the project's localisation objectives.
- The short-term 3.5-year grants are at odds with the aspirations of building climate resilience and institutional capacity.
- The SGF has taken a long-term perspective to building institutional capacities, which have so far paid off, with improved ability to understand climate risks and manage finances. The project did initially underestimate the level of early capacity building needed, particularly for monitoring, evaluation and subgrant reporting.
- The project aspired to take an adaptive management approach, helped by the familiarity between subgrant recipients and facilitating agents. However, disagreements over minimum compliance standards and underestimating the importance of integrating learning processes into the project cycle early on have posed a challenge.
- Many good CBOs are not applying for grants. They may be put off by the long list of requirements to access funding; organisations may need more flexibility to develop over the course of the grant-making period.

¹³ Sources for this case study: Adaptation Fund (2014c) and Soal and Diedericks (2018).

Case study 4. Increasing climate resilience in Costa Rica¹⁴

Funder:	Adaptation Fund	
Implementing entity:	Fundecooperación para el Desarrollo Sostenible (Fundecooperación)	
Country:	Costa Rica	
Project name:	ADAPTA2+: Reducing vulnerability by focusing on critical sectors (agriculture, water resources, and coastlines) in order to reduce the negative impacts of climate change and improve the resilience of these sectors	
Approved:	2014	
AF financing:	US\$10 million over five years	
Total project amount: ¹⁵	US\$10 million	

ADAPTA2+ seeks to increase climate resilience in six vulnerable socioeconomic regions in Costa Rica, across three critical sectors:

- Agriculture and livestock: US\$3 million allocated to investing in projects that help increase adaptation
 capacity in the agricultural sector
- Water resources and coastal management: US\$3.5 million allocated to investing in projects that help improve water resource management to increase climate resilience in coastal communities, and
- **Stakeholder capacity building:** US\$1.9 million allocated to improving the adaptive capacity of communities, producers, institutions and other relevant stakeholders.

Programme implementation is devolved to one executing entity per subproject. These entities have an in-depth knowledge of regional or local adaptation issues, stakeholders and socioeconomic context. The subprojects were selected through an open call and multi-step screening process, with a final shortlist of 40 projects. When the mid-term evaluation (Dumas and De Baets 2018) was published, 33 projects were operating. The evaluation's main relevant findings were:

- The programme is on the path to achieving the expected outcomes of strengthening farming productivity, reducing soil loss, improving water management, preserving water resources and reducing vulnerability in coastal communities. Beneficiaries also reported that the programme had reinforced local mobilisation, organisation and food security — with active involvement of women and children — as well as protecting biodiversity and diversifying the economy.
- Fundecooperación played a key coordinating role across a diverse group of actors, including beneficiaries, technical experts, government entities and executing entities. It worked with 33 executing entities of different backgrounds and resources, running different types of project in different regions of the country, outsourcing technical and field monitoring responsibilities. It also developed strategic partnerships with the Ministry of Agriculture's extension agencies to increase the technical support available.
- The programme's emphasis on capacity building and training contributes to its financial sustainability. However, many projects underestimated the need for preparation and readiness activities at the design stage, causing significant delays in implementation. But others compensated with more efficient preparation and readiness.
- If Fundecooperación can succeed in consolidating long-lasting access to microcredits, farmers and communities are likely to sustain programme outputs related to socioeconomic development over time.
- Although the executing entities found the reporting to be demanding, most have dedicated and trained one member of staff for this. As a result, they have found that it is becoming less of a burden over time and has been useful for self-evaluation.

¹⁴ Sources for this case study: Adaptation Fund (2014a and 2014b); Dumas and De Baets (2018); and https://tinyurl.com/yb2ko4kf ¹⁵ This is the sum of the intervention's fund financing and co-financing.

Case study 5. Integrating traditional knowledge with climate science in Bhutan¹⁶

Funder:	GCF		
Implementing entity:	WWF International		
Country:	Bhutan		
Project name:	Bhutan for Life		
Approved:	October 2017		
GCF financing:	US\$26.5 million grant over ten years		
Total project amount:	US\$118.3 million		

This 14-year GCF co-financed project plans to enable Bhutan to upgrade its natural resource management in 51% of its territory so it explicitly mainstreams climate change. This will support the resilience of its protected areas and the livelihoods that depend upon them, while also increasing the natural ecosystems' sequestration of greenhouse gases.

The project began disbursement in 2019 and intends to use a community-focused approach. To understand the resilience of natural ecosystems, it will assess local vulnerabilities, existing adaptation responses, climate impacts and the capacity of local communities, particularly women and poor groups. It will complement this local knowledge with stronger climate information by installing local weather stations in collaboration with Columbia University and NASA to provide weather and seasonal climate data and future climate scenarios. With this combined indigenous and scientific knowledge, the project will develop adaptation plans that focus on ecosystem-based adaptation responses for all traditional people living within the protected areas.

It will also provide capacity building and awareness raising in local communities to ensure they can engage in the conservation initiatives. Specifically, the project will train local youths to engage as citizen scientists to enhance the climate change data collected by ensuring it is locally relevant.

¹⁶ Source for this case study: GCF (2017b).

Case study 6. Providing long-term risk finance in Ghana, Nigeria and Uganda¹⁷

Funder:	GCF
Implementing entity:	Acumen Fund
Countries:	Ghana, Nigeria and Uganda
Project name:	Acumen Resilient Agricultural Fund (ARAF)
Approved:	March 2018
GCF financing:	US\$26 million over 12 years (US\$23 million in equity plus a US\$3 million grant)
Total project amount:	US\$56 million

The ARAF will specifically focus on incubating early-growth agribusinesses that are seeking to enhance the resilience of smallholder farmers. The ARAF seeks to pioneer a shift from adaptation grant financing to long-term capital approaches by supporting 18 to 20 small private sector innovations in agricultural resilience. These include:

- **Aggregator platforms:** Helping bundle agribusiness solutions together to strengthen smallholder farmers' access to markets.
- **Digital platforms:** Providing bundled digital solutions for smallholder farmers to enhance supply chain resilience and efficiency.
- **Innovative financial services:** Providing innovative payments, credit and insurance products for smallholder farmers.

The ARAF has had three GCF disbursements since 2019, totalling US\$1.9 million, and disbursements are set to continue over a 12-year timeframe. This provides enough time to incubate early-stage agribusinesses, and support them to develop, iterate, refine and build financially viable business models for resilience impact at scale. The ARAF will use the US\$3 million GCF grant finance for a technical assistance facility to help investees build their skills in using climate forecasts, developing adaptation tools and techniques and other climate resilience approaches.

Case study 7. Participatory and devolved resilience investment planning in Zambia¹⁹

Funder:	PPCR	
Implementing entities:	World Bank, AfDB, International Finance Corporation	
Country:	Zambia	
Programme name:	PPCR Zambia	
Approved:	2009	
PPCR financing:	Phase 1 financing: US\$1.5 million; projects financing: US\$90.1 million; projects co- financing from other sources: US\$314.8 million	

The PPCR process in Zambia, initiated in 2009, sought to support piloting and demonstration of integrating climate risk and resilience into Zambia's core development policies, plans and programmes. It involved:

- Formulating a strategic programme for climate resilience (SPCR)
- Mainstreaming climate resilience into the national development plans, operational plans and budgets of eight key sectoral ministries
- Strengthening organisational and coordination functions between sectors and line ministries working on climate change and sustainable development issues, and
- Strengthening targeted climate change information available to decision makers and the general public.

The SPCR process has been strongly participatory from national down to community level, supported by a strong national-level climate champion and Zambia's decentralisation drive. The participatory approach to support national multisectoral coordination and consensus building involved four multi-ministry and multistakeholder platforms with representation from a wide range of international and local NGOs, private sector actors and academic partners. More than 40 agencies, organisations and institutions contributed to these platforms, including the Zambian Youth Climate Change Network. This wide-ranging participation influenced the PPCR investment plan to focus on:

- Participatory adaptation
- Community-based, climate-resilient initiatives integrated into local-area development plans, and
- Private sector support for microfinance, climate information and insurance.

The national champion for climate change established a national climate change secretariat, which helped bring together other donors and aid agencies to align their objectives and support the community-driven resilience initiatives more coherently.

Building on Zambia's strong decentralisation drive, this focus on participation and community has helped mainstream climate resilience into the government's sixth and seventh national development plans for 2011–2015 and 2016–2020. This provides a critical mandate for government ministries to allocate staff and budgetary resources to subnational climate resilience programmes. All provincial and district development plans are now also required to mainstream climate change.

¹⁸ Sources for this case study: ITAD (2019); AfDB (2013); PPCR Zambia (2011); Bird et al. (2019); Vincent and Colenbrander (2018); World Bank (2013b); World Bank (2017); CIF (2018); CIF (2020b); and CIF. Zambia — PPCR Programming. www.climateinvestmentfunds.org/country/zambia/zambia-ppcr-programming

The PPCR investment plan has resulted in the following two investment projects.

1. Strengthening climate resilience in Zambia and the Barotse Sub-basin

Implementing entity:	World Bank
Launched:	2013
PPCR financing:	US\$36 million
Other amounts:	US\$213.55 million in co-financing
Closing date:	December 2019
Duration:	Nine years

The project provided strategic support to Zambia's Climate Change Programme, while implementing participatory adaptation and climate-resilient infrastructure in the Barotse Sub-basin of the Zambezi Basin, over a six-year implementation period. It is a good example of highly participatory investment planning that was not quite sustained throughout the project implementation period due to the challenging shift towards higher decentralisation, which created delays in local stakeholder engagement.

Regardless of these participatory challenges, the project has provided capacity and financial support to the Interim Inter-ministerial National Climate Change Secretariat in the Ministry of National Development Planning. It also built facilitation and technical capacity for mainstreaming climate change into local-level development plans and community decision making, and provided direct subproject grants to communities, wards and districts for climate adaptation measures. This process required significant training and engagement across multiple levels of government and sectors, as well as with local NGOs that could act as climate risk adaptation facilitators.

In 2018, the project secured additional financing to expand private sector-focused programming among producer groups. Activities included: strengthening private sector capacity to build climate resilience in agribusiness by establishing access to market and value chains in water and natural capital use and management; providing incentive payments and small grants to support livelihood diversification — for example, by supporting farming and fisheries; and developing a platform to facilitate the dissemination of market and climate information to farmers.

2. Strengthening climate resilience in the Kafue Sub-basin

Implementing entity:	AfDB
Launched:	2013
PPCR financing:	US\$38 million
Other amounts:	US\$720,000 in co-financing
Closing date:	December 2019
Duration:	Five years

Focused on community-driven participatory adaptation and climate-resilient infrastructure in the Kafue Sub-basin of the Zambezi Basin, this project helped develop capacity for integrated planning at district and subdistrict levels. Although being nested within the ongoing decentralisation drive initially led to delays in its participatory approach, over the longer term, it has embedded local authorities within the project design and allowed local NGOs to complement the project with their local knowledge. The final evaluation report found that the project has supported stronger community adaptation processes and direct subproject grants to communities, wards and districts for their own resilience measures (ITAD et al. 2019).

Case study 8. Participatory and devolved resilience investment planning in Tajikistan¹⁹

Funder:	PPCR	
Implementing entities:	ADB, World Bank and EBRD	
Country:	Tajikistan	
Programme name:	PPCR Tajikistan	
Approved:	2010	
PPCR financing:	Phase 1 financing: US\$1.5 million; projects financing: US\$72.1 million; projects co-financing: US\$87.2 million	

Tajikistan's strongly centralised government and rudimental understanding of climate risks posed some challenges in the initial PPCR planning approach, which was largely constrained to national government agencies. Despite the more challenging enabling environment conditions, local NGOs were able to challenge the lack of multi- and local-stakeholder engagement, leading to the creation of a highly participatory model of investment planning and subsequently project implementation. Activities proposed through the participatory planning included a shift to small hydropower and other decentralised renewables, disseminating climate forecasts to farmers, and involving river basin communities in assessing vulnerability, planning and project implementation.

Many of these suggestions were directly incorporated into the investment plans. More notably, this process also helped mainstream a deeply participatory approach going forward, with many thousands more people consulted, capacitated and benefiting from PPCR investments, including local NGOs, local governments and community leaders. The PPCR investments in Tajikistan now have a very strong community-based adaptation focus and are strongly accountable to local people — especially women — who have roles in project design, maintenance and monitoring.

Several projects were developed as part of the SPCR investment plan in Tajikistan, across various development sectors, some now completed and some still ongoing, including:

- Improving weather, climate, and hydrological delivery (approved 2011): US\$7 million in PPCR funding, implemented by the World Bank. This project looked to improve Tajikistan's hydrometeorological monitoring system to provide timely warnings of dangerous climatic events and support water management, by building evidence of changing climate variability and strengthening the climate service delivery system.
- Building capacity for climate resilience (approved 2012): US\$6 million in technical assistance PPCR funding, implemented by the ADB. This project aims to enhance climate change adaptation planning capacity at national and local levels, and within vulnerable sectors and populations.
- Building climate resilience in the Pyanj River Basin (launched 2013): US\$21.55 million in PPCR funding, implemented by the ADB. This project aimed to increase resilience to climate vulnerability and climate change in communities in the river basin and to reduce poverty in the area. The project supported local government and local NGOs' technical skills and competencies in resilience planning, anchoring resilience objectives around local priorities and designing investments and indicators to monitor investment progress. They used field visits to get feedback from local people and village leaders, so they could specifically draw on local knowledge. Overall, the project helped improve community drinking water and irrigation systems, flood protection, climate-resilient agricultural practices, financial literacy and microloans for further resilience investments.
- Environmental land management and rural livelihoods (approved 2013): US\$11.45 million in PPCR funding, implemented by the World Bank. This project aims to help rural people increase their productive assets in ways that improve natural resource management and resilience to climate change in selected climate-vulnerable sites.

¹⁹ Sources for this case study: ITAD et al. (2019); CIF (2011); IISD (2012); CIF. The strategic climate fund. www.climateinvestmentfunds.org/node/5

- Enhancing climate resilience in the energy sector (approved 2014): US\$21 million in PPCR funding, implemented by the EBRD. The project sought to enhance climate resilience in Tajikistan's hydropower-dominated energy sector through integrated activities for improving the enabling environment for climate-resilient energy security and strengthening institutional capacities for climate-resilient hydropower operations. It also implemented the first phase of a climate-resilient upgrade of a major hydropower plant as a demonstration project.
- Small business climate resilience financing facility (approved 2015): US\$5 million in PPCR funding, implemented by the EBRD. This private sector pilot project financing facility supports the uptake of climate-resilient, water-efficient and energy-efficient technologies by small businesses, farmers and households. The project has led to the Tajikistan Climate Resilience Financing Facility (CLIMADAPT), which broadens and scales up this facility.

Case study 9. Institutionalising standard country-based mechanisms in Bhutan²⁰

LoCAL promotes climate change-resilient communities and local economies by helping local government authorities in LDCs and other developing countries access the climate finance and capacity-building and technical support they need to respond and adapt to climate change.

LoCAL channels financing through PBCRGs. This incentivises local governments to target adaptation, while increasing transparency and accountability by enabling verification of climate change expenditures at the local level. It also provides technical and capacity-building support to improve performance. LoCAL grants are financial top-ups, intended to cover the extra cost of making investments climate resilient and/or of additional investments for climate change adaptation. They are channelled through existing fiscal transfer mechanisms.

Although they are relatively small top-ups compared to the regular central government allocations to local government, these grants demonstrate a mechanism that uses and strengthens the broader system to deliver on adaptation outcomes as an alternative to direct project delivery.

In Bhutan, LoCAL has supported districts and *gewogs* (groups of villages or blocks) to strengthen their climate change adaptation capacities against the backdrop of the national decentralisation process. The government's decentralisation reforms received a major impetus with the transition to a constitutional monarchy for democratic governance in 2008. This shift catalysed national initiatives to strengthen and empower local governments, significantly expanding their role, mandate and capacities. LoCAL embraced this process by piloting and establishing a PBCRG system for local climate responses. These grants provide funds to invest in climate change adaptation. They aim to mainstream adaptation in a participatory and gender-sensitive manner into local development planning and budgeting processes, while strengthening robust, transparent and accountable public financial or expenditure management systems in the context of climate change.

To access the grants, local governments must meet several minimum conditions that ensure some level of capacity and proper use of funds for climate change adaptation from year to year. They work against a risk-informed investment menu that is aligned with the NAPs and NDCs, and towards a set of pre-agreed performance measures, concerned with climate change adaptation and good governance more generally.

The relative performance of local governments informs the size of grant they get the following year, according to a transparent allocation formula. Technical and capacity-building support is provided alongside the grants, with performance measured through 30 indicators. The climate-related performance indicators include:

- Undertaking and using climate risk assessments
- Mainstreaming climate change adaptation in local planning and budgeting
- Incorporating climate information in the climate change adaptation investment designs
- Identifying additional costs of climate change adaptation or climate proofing, and
- Identifying the extent to which interventions addressed vulnerable groups.

Good governance indicators include compliance with environmental standards; participation and community engagement in planning, implementation and monitoring; and financial management and accountability for use of funds.

With EU development aid, the LoCAL mechanism in Bhutan has been gradually scaled up through a phased approach from four local governments to 100 of the 205 *gewogs* across the country. The LoCAL facility has also helped the Bhutan Trust Fund for Environment Conservation gain GCF accreditation with a view to further scaling up the mechanism through direct access.

²⁰ Sources for this case study: UNCDF (2019a, 2020a and 2020b).

5 Trends and lessons from global climate funds

By analysing the eight global climate funds and development finance initiatives against our six good climate finance principles, we have identified a series of trends and lessons for climate funds, donors and aid agencies seeking to increase the quantity and quality of climate finance that reaches the local level.

Principle 1. Subsidiarity

Climate change impacts and underlying vulnerabilities are likely to differ from place to place, so subsidiarity — whereby investment decisions are made as close as possible to those most affected — is particularly important. Under this principle, we seek to understand where climate finance is displaying elements of subsidiarity using the indicators outlined in Box 3.

BOX 3. SUBSIDIARITY INDICATORS

- 1. Climate finance is accessible by and devolved to local actors.
- 2. Local and marginalised people's participation and leadership skills are strengthened.
- 3. Local partnerships (or consortiums) are built.

The design of climate finance impacts the potential level of climate finance localisation (see Box 2); at the more progressive end funds are devolved to local actors who can decide how the money is spent. Designing for subsidiarity requires careful consideration of a number of factors, including guidelines for 'country ownership', how accessible is fund finance, and how systematic and meaningful are guidelines for multistakeholder engagement. We discuss how these design features, principles and guidelines are affecting the devolution of climate finance below.

Most climate adaptation planning still happens at the national level, but good examples of local engagement and participation in planning are emerging. For local actors to be given power to decide how climate finance is spent, experience shows they must play a strong role in initial investment planning. This begins with how climate financiers define local stakeholders and their requirements to be engaged, which is often unclear. For example, the CIF does not have a clear definition of local actors. Its recent local stakeholder engagement evaluation defines them as including national and local actors, but excluding central government stakeholders (CBI 2020). So, even when funds incentivise, design and report on local stakeholder engagement, the governance level these stakeholders represent can remain unclear.

The CIFs' PPCR and FIP, however, does provide stronger guidance on local stakeholder engagement. The PPCR calls for climate investment plans to undertake a participatory process that includes vulnerable groups, women, youth, indigenous peoples and local communities, and has a specific focus on integrating climate change into subnational and local development planning. The FIP, established from civil society and indigenous peoples' advocacy, has the strongest requirements for forest-dependent communities - particularly IPLCs - to be directly and substantially engaged in investment planning. The depth, breadth and action of local stakeholder engagement across specific investments under these funds, however, varies widely. Although ensuring the effective participation of marginalised groups has been more difficult, there are successful cases in PPCR programmes in Zambia, Tajikistan and Tonga, and all four FIP countries have shown strong local stakeholder engagement, particularly Mozambique (CBI 2020).

Given that the GCF's financial disbursement are still in early stages, there is little readily available evidence of local stakeholder engagement. Some early reports indicate poor overall engagement in climate finance planning, especially among marginalised groups (Omari-Motsumi et al. 2019).

Most climate funds are driven by the principle of country ownership, originally agreed under the Paris Declaration on Aid Effectiveness, to ensure development finance is more country-led (OECD 2008). Within most global funds, country ownership is represented by national focal points and national designated authorities or agencies, who decide which projects, programmes and institutions in their country can access the climate funds. In the CIF, national governments are responsible for leading project design and implementation in collaboration with an MDB partner (CBI 2020). The global funds guide national focal points to engage all relevant stakeholders, including local actors, throughout their national climate finance planning and investments. But each country interprets the guidelines in their own way; in many cases, a single official is designated responsibility for country ownership. Although those with favourable national norms and political economies provide stronger starting points for local stakeholder engagement in climate investment planning (CBI 2020), an intermediary's capacity and desire to deliver the investment plan also influence the level of local engagement (Omari-Motsumi et al. 2019).

Another challenge is adequate time and resources to undertake fully participatory engagement across governance levels. For example, the GCF's readiness programme offers countries up to US\$3 million to build on or support further NAPs, which were originally supported by the LDCF. But this does not provide enough finance or time for the NAPs to undergo a comprehensively participatory process that can understand local climate vulnerabilities and climate risk (Omari-Motsumi et al. 2019). The importance of adequate financial resources for planning is highlighted by the PPCR's better local stakeholder engagement performance compared to the other three CIF funds. This is due in large part to the PPCR having a larger grant budget for investment planning (CBI 2020).

We highlighted two examples of successful multistakeholder investment planning in the PPCR that have prioritised community-driven resilience and increased local adaptation finance investment. In Zambia (Case study 7), active decentralisation has enabled broad local engagement and a focus on participatory and community-based adaptation. The country has mainstreamed climate change into its national plan and requires provincial and district governments to mainstream climate resilience, but its experience also shows how a positive shift towards decentralisation can delay the very intentions of higher local participation. In Tajikistan (Case study 8), strongly centralised governance has not precluded strong local stakeholder engagement in resilience investment planning. The in-country SPCR process has involved extensive stakeholder consultations, helping to build an understanding of how climate change will impact on various stakeholder groups (including civil society, the media and highly vulnerable groups including women, youth, young men and children). It also used a participatory scenario development approach to validate and strengthen stakeholder participation through the initial stages. This process supported capacity building on issues related to the impacts of climate change on key stakeholders and helped validate the SPCR priority areas to ensure that priorities for investment were in line with communities' key capacities (Bizikova 2012). These consultations helped build buy-in for interventions across several sectors, strengthen capacity and knowledge, shift resilience programming behaviour and improve coordination across sectoral ministries and stakeholders. The overall lesson to take from these two examples is the importance of building local stakeholders' capacity to engage in the planning process from the beginning of a project and beyond, and to sustain dedicated technical assistance throughout (CBI 2020).

Although it is increasing, the devolution of investment decision making remains limited.

The AF and GCF's direct access modality champions national climate finance access, with no intermediation between the fund and national levels. Both funds have increased the amount of climate finance going directly to national institutions, which in theory brings climate finance one step closer to the local level. Both have opened EDA windows; these are dedicated funding windows for national or subnational institutions that specialise in devolving loans or grants to local actors. Three key trends emerge:²¹

- International intermediation still dominates: only the AF and GCF provide direct access, and (as of 2019) these only channel 30% and 7.4% of their respective portfolios through national entities.
- No subnational institution has gained direct access to the AF or GCF.
- Fewer than ten EDA projects have been approved overall.

These trends are important. International intermediaries are predominantly accountable to donors and national governments. However, we must also note that providing more climate finance directly to the national level does not guarantee that more finance reaches the local level. This often depends on the political and practical support for decentralisation and devolution.

One concern is the low number of EDA-type projects in the climate funds' portfolios. This indicates a lack of accredited national institutions that intend to devolve climate finance or are capable of the specialised fiduciary standards that would allow them to provide grants or loans to local actors. As we discuss in Principle 3, EDA finance has so far been short-term and all approved projects to date have had many conditions attached, which may reduce the incentive to apply.

Despite EDA's funding limitations, there are positive developments, with more institutions becoming accredited that are responsible for overseeing local development. In November 2019, the GCF accredited the NCDD-S in Cambodia, the first accredited entity in charge of local governments. Other national entities accredited by the GCF were FNEC in Benin in February 2019 and the Bhutan Trust Fund for Environment Conservation in 2020. These three accredited entities are all engaged with LoCAL. The BOAD has begun submitting GCF concept notes and project proposals worth US\$60 million to scale up LoCAL. There are also good innovations coming from the AF and GCF portfolios. The AF's US\$2.4 million South African SGF project implemented by SANBI (Case study 3) is devolving the identification, development and implementation of resilience investment to local CBOs, which make all decisions about subgrants (Adaptation Fund 2019d). The SGF is supporting innovative approaches to engage local stakeholders from beyond the immediate project area in integrated adaptation planning. The SGF's mid-term evaluation provides useful lessons for strengthening devolved climate financing going forward. It notes that the project design should try to ensure it does not revert to overly hierarchical governance and decision-making structures for the task at hand. Too many layers and steps before proposals gain approval and sign-off can lead to delays and confusion, undermining the responsive intentions of the subsidiarity design. It is also important not to underestimate the capacity building and local facilitation required to garner strong local climate adaptation planning, and to actively manage the demand for upward compliance requirements for reporting and results to ensure it does not undermine the project's localisation intentions (Soal and Diedericks 2018).

Although there are no results yet, an innovative GCF EDA project in Antigua and Barbuda (Case study 1) is using a short-term EDA grant to pilot devolved decision making across the whole of society. The country's Department of Environment is piloting six funding mechanisms — two for public sector on-granting, two for civil society on-granting and two for private sector (household and small- and medium-sized enterprise) microfinance funds (GCF 2018b). The project aims for 90% of project beneficiaries to be included in investment decision making and for three of the six devolved resilience financing mechanisms to be able to access further GCF investment and readiness (technical assistance) funding.

Financing approaches outside of the global climate funds may be providing devolved adaptation finance at much greater scale. The CDD approach, for example, is beginning to integrate climate resilience into its programming. With many Asia and Pacific governments implementing large-scale CDD projects to improve community infrastructure and basic services, they are increasingly incorporating resilience into community planning and the prioritisation, design and implementation of community infrastructure. A key lesson from CDD is the importance of local facilitation to achieve successful local participation and engagement

²¹ We consider the GEF's SGP and the FIP's DGM separately, as their primary focus is not adaptation.

and prevent elite local capture (Wong and Guggenheim 2018). We found little evidence of climate funds prioritising local facilitation, possibly because their MEL frameworks do not capture this.

Mitigation and landscape management climate funds are being devolved at greater scale than adaptation funds. The FIP DGM and the GEF SGP provide important examples for other global funds seeking to scale up the climate finance they get to the local level. Between them, they devolve the most global climate fund finance to the local level for subprojects in forest restoration, land use management, biodiversity protection, decentralised renewable energy and energy efficiency. These activities also notably demonstrate opportunities to leverage convergence between adaptation and mitigation outcomes. The SGP funds a small proportion of community adaptation projects, through a 2009 partnership with AusAid to improve climate resilience across 42 countries. But this remains only 5% of the whole SGP portfolio (GEF SGP 2018a).

Both funds continue to work through large intermediaries - the World Bank and UNDP respectively - but display strong consideration of subsidiarity by devolving overall grant management to national coordination bodies with community and indigenous peoples' representation and subgrant design, implementation and evaluation to IPLC organisations. This report focuses predominantly on the DGM, as the SGP has not been evaluated since 2015. A new evaluation of the SGP, launched in September 2019, is expected to be submitted to the GEF council in December 2020 (GEF IEO and UNDP IEO 2020). Overall, the DGM and SGP have reported highly inclusive climate finance (ITAD 2019; GEF SGP 2019a and 2019b). But like EDA and as we discuss under Principle 3 on patient and predictable finance, both funds provide finance on short timescales.

Principle 2. Robust understanding of climate risk and uncertainty

At the heart of a successful resilience investment is helping stakeholders make sure investment decisions are robust to the range of current and future climate risks, despite a high uncertainty associated with climate change. This is perhaps even more important for devolved adaptation finance, where local actors may be more used to making shorter-term decisions and have less technical capacity to interpret climate science. However, local actors also have access to local and traditional knowledge, which is crucial for producing sustainable resilience investments that address underlying vulnerabilities and avoid maladaptation. Under this principle, we used three indicators (Box 4) to identify examples where climate finance is supporting more robust resilience investments. We look at adaptive management — another critical component of robust adaption planning — under Principle 4 on flexible programming.

BOX 4. ROBUST UNDERSTANDING OF CLIMATE RISK AND UNCERTAINTY INDICATORS

- 1. Short- and long-term climate risk information is being developed participatively and mainstreamed into local decision making.
- 2. Scientific and indigenous climate information and generational (traditional, indigenous and local) knowledge are integrated.
- 3. Capabilities are strengthened to interpret and use climate information, particularly around climate uncertainty.

Local actors face barriers to articulating climate rationales, yet global funds could do more to support robust adaptation to climate risks and uncertainty. Local actors seeking access to global climate funds need to provide a strong climate rationale, which often comes in the form of outlining the additionality of an investment using complex scientific jargon. This requirement is biased in favour of using local historical and downscaled future climate data to outline current and future climate risks and tends to proliferate its use (Omari-Motsumi et al. 2019; Hansen et al. 2019). But downscaled climate projections can lead to maladaptive decisions and should rarely be used in planning (Hansen et al. 2019). At the same time, climate information services - particularly longterm data history or projections - are often poor at the local level. The GCF also requires the application of an incremental cost of adaptation; these are complex calculations even for technically capable institutions (Omari-Motsumi et al. 2019).

We could not, however, find any fund-level guidance incorporating robust adaptation principles for understanding climate risk and its uncertainty. There is also often a false dichotomy made between adaptation and development investments, which prevents resilience investments from addressing immediate adaptation needs. We recognise that the business model of many global climate funds is to work through and depend on their accredited institutions, which are mostly international organisations or national governments with their own policies, practices and guidelines. For example, the World Bank has climate risk assessment tools and processes to help project developers and managers screen investments and identify where adaptation may be necessary (Brown 2017). However, clear fund-level requirements or guidelines would help ensure the wide range of financial intermediaries they operate through apply good practice in helping local actors to manage short- and long-term climate risks in ways that limit maladaptation - by emphasising the uncertainty in climate futures and therefore appropriate adaptation actions. The GCF's only related climate risk management guidelines, for example, are hidden within one of the International Finance Corporation's Performance Standards and used on an interim basis as the GCF's environmental and social safeguards.

Both the PPCR and GCF have supported several projects strengthening countries' meteorological and climate services, and as such there are likely to be many more good examples that we have not uncovered in our report. However, our review of existing reports found an apparent overemphasis on downscaled weather data, and in some cases climate data (Hansen et al. 2019), which is only one part of robust climate risk management. In understanding how to manage the climate risk, it is often suitable to begin with a bottom-up assessment using local knowledge of experienced climate change, underlying vulnerabilities and adaptation deficits. These assessments can then support the mainstreaming of adaptive management principles, minimal regret measures, scenario planning, sensitivity testing and open-ended adaptation measures (Nissan et al. 2019).

Part of the solution may be supporting the production of better-quality, local-level climate data for more robust resilience planning, which would produce a more robust climate rationale. In many cases, this involves using projected climate information to test the sensitivity of different adaptation decisions rather than predict what will happen. It also involves building and using better historical climate information records to understand natural and decadal climate variability, along with committed climate change trends. In Zambia, the PPCR's Barotse Sub-basin project has piloted the application of robust decision-making approaches in an attempt to more robustly use future climate scenarios in combination with bottom-up assessments of climate hazards, vulnerabilities and adaptive capacity (Box 5).

Possible good innovations are also coming from LoCAL, where member countries are starting to develop country climate risk assessments for subnational adaptation, in partnership with the Korea Environment Institute in Ghana and the NDC Partnership in Niger and São Tomé e Principe. In the Gambia, LoCAL has also facilitated a partnership with Senegal's Centre de Suivi Ecologique to pilot and establish local climate information systems for adaptation. It was beyond the scope of this report to review these approaches in detail, but we promote the use of robust decision-making approaches under these local climate information systems (Box 5).

There is evidence of initial efforts from funds to improve their support to traditional knowledge systems and to support the integration of traditional and indigenous knowledge with climate science. Indigenous peoples and local communities whose livelihoods, identities and cultural survival depend on their natural environment often have highly specialised and tested generational knowledge that effectively supports resilience and addresses climate impacts, and could be useful in broader contexts and scales. This knowledge can effectively complement modern science by enhancing localised tested and tailored approaches to building community resilience with climate science projections, data and analysis.

The CIF (2019d) recently undertook a review looking at how traditional knowledge systems have been supported across World Bank initiatives to scope out opportunities for the fund to better support traditional knowledge systems. The report acknowledges that, although large and systematic efforts to mainstream traditional knowledge or scale up traditional knowledge systems have been very limited across the climate landscape, the CIF and other climate funds are uniquely positioned to place more value on traditional knowledge as an integral component of their climate change solutions. It finds a strong rationale for complementing traditional knowledge with modern science to address climate change impacts. "If the CIF intends to fully deliver on its mandate to support developing countries in their efforts to mitigate and adapt to climate change, then the interests of IPLCs and their TKT [traditional knowledge and technology] must be more fully incorporated into its programs."

The CIF (2019) sets out that so far, development interventions have largely failed to bring indigenous peoples into initiatives because these interventions have lacked the will and the instruments to allow people to use their own knowledge and technology. As well as an inadequate understanding of the value of traditional knowledge, there has been a lack of understanding of how traditional knowledge systems interplay with conventional innovations and weak political will. Where initiatives are integrating and supporting traditional knowledge systems well, a demonstration effect is helping to raise awareness across the climate community.

BOX 5. DECISION MAKING UNDER UNCERTAINTY IN ZAMBIA'S PPCR

There is deep uncertainty around climate change. Climate model projections and future change are socially and economically uncertain as greenhouse gas emissions depend on largely unknown social and economic change. Climate models are also uncertain, as our knowledge of how the climate system functions is imperfect and the climate system is naturally chaotic. These deep uncertainties add yet more challenges when designing and making development investment decisions.

Fortunately, there is a growing literature to support the design and decision making of investments under deep uncertainty. Commonly known as 'decision making under uncertainty' and 'robust decision making', these frameworks are based on the principle of 'assess-risk' rather than 'predict-then-act'. These frameworks — which range from simply adding safety margins to cope with larger-than-expected extremes to sophisticated methods like climate-informed decision analysis — support resilience investments that perform well across a range of uncertain climate futures (see, for example, Wilby and Dessai 2010; Stafford-Smith et al. 2011; Ranger 2013; Hallegatte et al. 2012; Bhave et al. 2016).

In Zambia's Barotse Sub-basin, a PPCR-funded project used a five-step process to pilot robust decisionmaking principles in district and integrated development plans:

- 1. Preparation: The first step is ensuring the climate mainstreaming process is aligned with the timelines and work plans of existing district and integrated development plans, and identifying and developing climate champions to spearhead the process.
- 2. Climate risk assessment: The second step is determining the current and likely future climate risks districts will face, by considering their vulnerability and adaptive capacity. In Zambia, they determined current climate hazard exposure from observational weather station data. Where observational data was not available, they used memories of recent trends in key climate variables. Next, they used a broad range of future climate projections as a guide to possible future change and to consider future risks. Climate model projections do not provide certainty into the future, and if used wrongly can lead to maladaptation. This is especially so in East Africa, where climate models are routinely poor at modelling decadal monsoon rainfall trends. District planners and government field staff created future exposure and impact scenarios during climate change mainstreaming workshops to identify several future scenarios of change. Participatory processes at community level also informed the process.
- 3. Climate risk screening of proposed interventions: The third step was to identify where climate change poses a risk to achieving the development plan. This involved asking two questions: How are planned interventions affected by climate risk, considering exposure and vulnerability to different climate hazards? And does the assessment of current and future climate risk show the need for new interventions to support climate-resilient development? To answer these questions, planners used the range of future climate scenarios developed under step two. They developed a table with existing priority programmes and key interventions, comparing them against future climate impact scenarios to identify whether they would be affected by each respective scenario.
- 4. Robust options to respond to climate risk: The fourth step is identifying interventions that reduce risk and support climate-resilient development. Here, a robust decision-making approach is crucial, using the precautionary principle to select interventions that are robust under a range of plausible climate futures, rather than seeking a perfect solution.
- 5. Implementation, monitoring and evaluation of interventions and evolving climate risk: The final step is developing relevant indicators to monitor progress towards reducing climate risk and enabling climate-resilient development. Importantly, this should include integrating indicators that help understand the evolving risk environment within districts and wards by also considering their evolving vulnerability and adaptive capacity.

Source: Vincent and Colenbrander (2018)

Steps for improving support include:

- Increasing the knowledge and evidence base on traditional knowledge systems and how they have been integrated with scientific knowledge for effective climate solutions to illustrate how this looks in different contexts and raise awareness. This can include improving coordination across MDBs and other entities supporting traditional knowledge systems for knowledge exchange and sharing of best practices (CIF 2019d).
- Incorporating this research into existing climate science frameworks and climate change policies, with clear guidance on integration and complementarity. For example, within the World Bank Group, the Environment and Social Framework could establish guidance for developing policy for mainstreaming traditional knowledge systems in climate solutions CIF (2019d).
- Identifying specific areas for collaboration between IPLCs and the funds. The latter can increase their support to projects and programmes that incorporate traditional knowledge as part of their climate strategy, bolstered by indigenous peoples' greater involvement in and ownership of decision making. The CIF could serve as a model for other development and climate change initiatives by exploring new financing modalities to support traditional knowledge (CIF 2019d).

Across global funds, there has largely been a lack of recognition for the importance of indigenous and traditional knowledge within their MEL frameworks. This may also be partially due to nationally led adaptation planning. NAPs — one of the primary adaptation planning processes supported by the LDCF and the GCF's readiness and preparatory support window — are seldom bottom-up. As such, they do not always prioritise traditional and indigenous adaptation knowledge (Omari-Motsumi et al. 2019). The FIP DGM, which works through IPLCs, provides key learnings for the broader climate community around integrating IPLCs' interests and knowledge systems into programmes.

We also found some examples of better representation and use of traditional and indigenous knowledge. For example, the Tajikistan PPCR project's participatory adaptation planning (Case study 8) drew on village leaders' traditional knowledge to prioritise vulnerable districts and relevant adaptation measures (CBI 2020). The GCF-supported Bhutan for Life project (Case study 9) explicitly seeks to combine traditional and indigenous knowledge, using community-based vulnerability assessments combined with technical support from Columbia University and NASA for local weather stations that will incorporate weather, seasonal climate data and future climate scenarios. By training youth group members as citizen scientists, the project will add value to the climate data collected.

Principle 3. Patient and predictable

An adaptive management approach to building resilience — whereby decisions and investments are undertaken iteratively using internal and external learning to tackle uncertainty — requires patient and predictable funding to ensure investments remain robust to changing contexts and information and strengthen capabilities and institutions at the local level. Under this principle, we look at where funds have provided climate finance patiently and predictably to the local level, seeking out examples of the three indicators outlined in Box 6.

BOX 6. PATIENT AND PREDICTABLE INDICATORS

- 1. Climate finance is committed for multi-year allocations, ideally ten years and above.
- 2. Climate finance is predictable from year to year and into the future.
- 3. Climate finance is reliably accessible to improve predictability of flows.

Most devolved climate finance is committed for short timescales. The importance of patient finance was reiterated throughout the review. Most business-as-usual climate and development finance is too short-term, often leading to the need for parallel units. This creates high staff turnover, with capacitated staff leaving the institution at the project's close (GCF 2018b). Unfortunately, all the devolved financing funds or windows we reviewed - the AF and GCF EDA, the GEF SGP and the FIP DGM - provide climate finance on timescales of five years or under. These short time horizons may undermine the aspirations of these funding windows. The AF's South African SGF EDA project reported that its maximum grant period of three and a half years puts its long-term outcomes at risk, particularly around investment maintenance and

the likelihood of the project closing before adequate capacities are built (Soal and Diedericks 2018). A similar issue may arise with Namibia's GCF EDA project, where the EIF is applying a results-based finance model with grants limited to three years (GCF 2016). This is not to say that the climate finance provided has not delivered lasting impact. For example, the FIP DGM reported that one of the most important outcomes is that indigenous peoples' organisations are developing a strong sense of ownership for their mechanisms. However, it also reported that larger volumes of finance are needed to make a significant difference (ITAD 2019).

While PPCR's programmatic approach means that at the country level, the programme engages for timeframes of 10+ years, the community subprojects that form part of the overall investment often take place over much shorter timeframes of around five years. For example, the investment projects supported by the PPCR programme in Zambia (Case study 7) have timeframes of six (with a subsequent additional envelope and year of financing) and five years. This highlights that local actors may not receive financing over sufficiently long timescales under overall programmatic approaches, possibly limiting their development of learning and capabilities that develop over the long term.

Antigua and Barbuda's GCF EDA project (Case study 1) is taking an innovative approach to short-term funding by using the EDA resources to build the track record and climate financing capacity of six further institutions that will provide grants for public, civil society and private sector on-granting or on-lending. The aim is to enable at least three of these institutions to gain GCF accreditation so they can access its larger-scale investment and readiness finance (GCF 2018b).

Longer-scale climate finance is available through more traditional national-focused financing windows as well as through non-climate funds. The GCF, for example, is in some cases delivering its grants and concessional loans over 10 to 20-year periods. The Bhutan for Life project (Case study 9) is receiving a GCF grant over ten years, and the ARAF (Case study 6) is receiving a 12year GCF equity investment.

CDD funds are also increasingly being provided on longer timescales. For example, the CDD Myanmar Resilient Community Development Programme has specifically sought to integrate climate resilience and provide patient and predictable finance. The grant finance provided is for seven years compared to the normal five, recognising the need to engage with local communities and governments for longer to build their capacity for bottom-up resilience investment.²² Likewise, LoCAL has been supporting Bhutan and Cambodia since the original pilot of the PBCRG systems in 2011 to gain accreditation to GCF.

These examples show that climate funds and other climate financing programmes can provide funding over much more patient timescales. They now need to extend patient finance to devolved financing approaches.

Dedicated devolved funding windows provide predictability, but funding often remains unpredictable at the fund and project level.

Evidence from the FIP DGM's learning review shows that IPLCs appreciated having a dedicated funding window. This was an important driver in reducing the uncertainty of future funding, enabling institutionally weaker IPLC organisations to build their human and technical capacity by hiring staff. But the FIP DGM has not provided funds predictably in all cases. For example, Samdhana in Indonesia — which prides itself on being agile and providing small grants in the space of a few weeks — had to negotiate its procurement rules with the World Bank, which led to significant delays. In the end, it created a separate funding entity to avoid reputational damage (ITAD 2019).

Uncertainty over future funding can also unravel this trust between donors and recipient entities (ITAD 2019). The LDCF, for example, has suffered from long periods of low capitalisation (GEF IEO 2019). Uncertainty over future funding can pressurise projects to rapidly submit proposals to get through long pipelines for diminishing resources, creating a knock-on impact on the technical and participatory aspects of resilience investment development (Omari-Motsumi et al. 2019). It could also lead to favouring compliance over long-term capacity building.

The GCF introduced the SAP to reduce the time and resource burden of the project application process, but the main SAP beneficiaries have been already capable institutions. International projects have received 87% of SAP finance and 72% of proposals awaiting approval are from five large institutions: the ADB, FAO, UNDP, UNEP and the World Bank (Soanes et al. 2019).

When funds are secured, they can be highly unpredictable. The two GCF EDA projects took 20 and 9 months respectively to receive their first funding disbursement following approval by the board (GCF 2020b; GCF 2020a). Even very modest amounts from the GCF's readiness and preparatory support funds can take months to arrive (GCF 2018d). It takes 600–1,600 days for accredited entities to receive their first GCF dollar after accreditation (GCF IEU 2019). The GCF accreditation process itself can also take a long time. On average, the accreditation process takes 840 days,

²² ADB. Myanmar: Resilient Community Development Project. www.adb.org/projects/51242-002/main

spread across three stages (GCF 2018e). Of the 48 funding proposals that received disbursement after 8 July 2019, the combined accreditation and project approval process (from receiving access to the GCF online accreditation system to apply for accreditation to receiving the first project disbursement) took an average of 1,256 days (GCF IEU 2019). This is discouraging for national institutions, let alone local ones (Omari-Motsumi et al. 2019).

Principle 4. Flexible programming

There is no perfect adaptation intervention, so flexible programming is crucial for any resilience investment, at national or local level. Iterative learning — whether through robust and locally relevant MEL systems or by learning from other local investments — is important for local climate finance. Under this principle, we explore examples of flexible or inflexible climate finance using the indicators in Box 7.

BOX 7. FLEXIBLE PROGRAMMING INDICATORS

- 1. Climate finance budgets are provided flexibly to be responsive to changing contexts, circumstances, risks and opportunities.
- 2. Programming focuses on iterative learning, including through adequate support for MEL systems, especially peer-to-peer learning.

Global funds provide budget flexibility. But to be locally relevant, they must be more flexible.

Budget flexibility is difficult to assess because the conditions that cause the need for flexibility are often not captured through formal reporting. Funds commonly provide no-cost extensions and allow for small budget allocation changes to address small-scale flexibility needs. The AF, for example, allows project grants to be extended by up to 18 months if there are any delays in completion. It also allows projects to shift up to 10% of funding between budget lines at output level without AF board approval (Adaptation Fund 2019e and 2017). The PPCR and the FIP allow recipients to move up to 15% of the investment plan funding envelope — that is, up to US\$10 million in the case of PPCR and up to US\$8 million in the case of the FIP — between budget lines without steering committee approval.

However, on deeper review, we found that 10-15% may not be flexible enough for some local actors. For example, the GCF's ability to reallocate up to 10% of readiness funding is considered too rigid and has

caused significant delays in capacity building (Omari-Motsumi et al. 2019). Rigid funding rules also mean that the AF EDA South African SGF could not support costs such as travel to meetings prior to the subproject approval (Soal and Diedericks 2018). This created significant opportunity costs for CBOs. The GCF and AF's readiness resources cannot support staff salaries either; supporting staff salaries can perform important functions, including preventing the need for parallel structures and short term consultants, which thereby helps to build the capacities of long-term staff which are retained within the institution beyond project cycles.

We also found examples of low flexibility on funding access criteria, particularly in the form and language of submissions. Almost all major global funds — including the GCF - write their policies and procedures in English only (Omari-Motsumi et al. 2019), presenting a hurdle to many national and local institutions. Likewise, many local institutions have strong projects but low literacy, which inhibits their ability to complete written applications. The FIP DGM has found that applications from IPLC organisations face such challenges. With project-based pathways, there appears to be higher risk that winning bids may be due to the presence of a strong 'external agent' rather than the strength of the idea posed by a community. This is a risk that must be continuously managed. The DGM and GEF SGP have both used innovative approaches, such as reading out proposals to illiterate people in Burkina Faso to check they reflected their discussions and needs (ITAD 2019) and including participatory videos and photo stories in proposal submissions formats (GEF SGP 2018b).

Funds can also be inflexible around their co-financing requirements. The GCF, for example, has increasingly asked fund applicants for significant amounts of co-financing, even for resilience investments. This approach is biased in favour of international or finance-based institutions whose business models are based on — and support access to — various sources of finance. It disadvantages local actors, who are more likely to be able to provide in-kind contributions (Omari-Motsumi et al. 2019).

LoCAL provides a potential approach to embedding flexibility by aligning with local government systems. Working through standard country-based mechanisms, LoCAL allocates grants each year to local governments, disbursed in line with their annual planning and budgeting cycles. Local government and communities select priority adaptation interventions from a risk-informed investment menu, itself aligned with the mandates of local governments, NDCs and NAPs. Performance is appraised annually to determine how additional resources have been used; these performance results inform the next year's PBCRG allocations. There is mixed evidence of adaptive management at fund level. We found some indication of learning being incorporated back into future investments and examples of adaptive programme management taking place in some funds. Learning in this context can be defined as effective learning at multiple levels. Critically, when local actors — including communities — are involved from the start, it brings together diverging viewpoints to learn and form a common understanding around a planned adaptation action, which can then be implemented in cycles of action and reflection.

The GEF SGP, with its focus on devolved finance, collects basic metrics across local projects and several results areas, including climate change mitigation; but it does not collect information on adaptation or resilience outcomes (GEF SGP 2018a). The CDD mechanism also does not routinely collect local information on resilience outcomes, either (World Bank 2013a).

Under the GCF, accredited entities monitor, evaluate and report back on funded activities against the fund's results management framework. But there is no requirement to design or integrate learning as part of project design or M&E or to include learning components in a funding proposal. Several approved direct access adaptation projects have an explicit learning component, but the M&E frameworks often focus on upward reporting, so learning remains disconnected.

The PPCR's monitoring and reporting framework tracks progress towards climate-resilient development at national and project levels (GIZ 2017). In some PPCR countries, such as Tajikistan and Zambia, there is evidence of local stakeholder inclusion in national monitoring and reporting workshops. Additionally the CIF's have established the Evaluation and Learning Initiative, which looks at four key themes to identify strategic lessons across the CIF's portfolio for programmatic and strategic learning that is timely, relevant and applicable to climate programmes, projects and strategies. One of the key themes is local stakeholder engagement and benefit. However, the role of local actors seems to be confined to reviewing data and providing feedback and it is less clear whether local actors form part of an active bottom-up learning process. Overall, through its own evaluations and stocktaking, the PPCR recognises the need to strengthen local stakeholder learning (CBI 2020) and improve the engagement of non-state actors in these learning processes (CIF 2017).

The FIP DGM explicitly incorporates learning into its operations. Its global learning, outreach and information-sharing component facilitates workshops and peer-to-peer exchanges to enable learning from technical experts and successful community-led REDD+ projects; it also develops and collects culturally appropriate knowledge resources for indigenous peoples and local community to use. Its planning, monitoring and reporting component generates information to share via outreach, capacity building and learning. The DGM's learning review focuses on the lessons emerging from across its portfolio in different country contexts. Evidence from Burkina Faso shows that establishing a peer-to-peer knowledgesharing network across 14 subprojects has enabled IPLC organisations from across five regions to come together. These peer-to-peer exchanges have gathered lessons from all the project stages - development to implementation - and from different parts of the country; they have even extended learning to nonparticipating communities. However, at fund level, MEL indicators seek to reflect the number of communities helping to secure land titles, but do not include metrics to measure capacity, trust or political and social capital, which are all crucial to subprojects' success (ITAD 2019). In Democratic Republic of Congo (DRC), FIP has also demonstrated consistent stakeholder engagement in monitoring and reporting workshops; however, responsiveness to these workshops is unclear (CBI 2020). In Cambodia, local actors appear to have been engaged in monitoring and reporting from the outset, but engagement of local actors at the early stages was weak (Live & Learn Cambodia 2019).

The AF's EDA South African Small Grants Facility has allocated US\$189,000 to gather and incorporate lessons learnt. The mid-term evaluation notes that the project has increased skills on incremental and continuous learning, particularly around climate change adaptation knowledge and understanding (Soal and Diedericks 2018). It is hoped that this learning will help feed into municipal and national governments through a sustainable small grants fund for adaptation (Adaptation Fund 2014c). However, the project has struggled to apply the adaptive management approach, due to challenges around agreeing minimum compliance standards with executing entities, and underrecognising the extent to which they needed to integrate learning into project delivery from the beginning (Soal and Diedericks 2018).

Although project subgrants are relatively short-term, Namibia's GCF EDA project (Case study 2) is showing an innovative approach to robust climate management and flexible programming, through its tailor-made climate monitoring system. This will build on the Event Books System, a grassroots natural resource monitoring programme that uses a participatory approach to help CBOs decide what their data needs are, what information they can effectively use and what climate information and other data they should include and monitor through the system (GCF 2016).

Principle 5. Risk taking

Climate financiers must be willing to take more risks for devolved financing approaches, as local investments are far from donors' purview, and capacities are often lower at local than national level, especially in science-based climate risk management. This may mean investing in institutions or governance approaches with low or no track record in managing climate finance; it may also mean investing significantly in capabilities early on without delivering project-based resilience outcomes. Sometimes referred to as an empowerment pathway (ITAD 2019), this approach seeks to leave behind institutional legacies following the closure of the project. Under this principle, we use the indicators in Box 8 to assess how much risk global funds are taking.

BOX 8. RISK TAKING INDICATORS

- Climate finance is being invested in innovative or new approaches, institutions or governance arrangements that have received limited or no climate finance before but have the capacity to innovatively address development and adaptation deficits that cause underlying vulnerabilities, or have no track record of managing climate finance.
- 2. There is significant investment in building capacities early on, allowing the possibility of less immediate tangible outcomes, to build skills and capabilities for more transformational approaches over time.

Smaller and devolved climate funds are willing to take more risks, but there is still a tendency to favour compliance over early capacity building and risk taking. The LDCF, for example, has a larger appetite for risky projects that have not been previously funded within LDCs, acting as an early mover in shortterm adaptation priorities and coordinating with the GCF to scale these up (GEF LDCF/SCCF 2018). However, it is possible that focusing more on short-term adaptation priorities in this way goes against its model of empowering local actors rather than prioritising projectbased outcomes.

Smaller dedicated pilot and grant windows seem to have greater risk appetite. The AF's innovation grants are seeking to support wider access than the fund's traditional channels and focus on local-scale pilot projects. The GCF's MSME pilot is playing a similar role of seeking to support innovation, testing and learning in local-scale enterprises. These channels have only recently been opened and it remains to be seen if they improve accessibility and risk appetite. On the whole, the GCF remains difficult to access and its risk appetite — despite being articulated as high — seems rather low. International intermediaries still dominate the GCF's accredited entities and investment portfolio, while its investments continue to prioritise larger-scale, private sector intermediation. It has only approved two EDA pilots to date, and these come with a long list of conditions (GCF IEU 2019). This may be the result of a lack of grant finance and too many loans committed from donors, which has resulted in a focus on returns on investment. It needs more flexible grant resources to expand its devolved financing portfolio (Omari-Motsumi et al. 2019).

Many countries struggle to gain access to GCF funds. Its accreditation process requires significant capacity development and often institutional restructuring (GCF IEU 2019; Omari-Motsumi et al. 2019) and its readiness and preparatory support funds have yet to build institutional capacity - and therefore reduce compliance risk - around environmental and social safeguards and gender or the kind of specialised ongranting and on-lending capacities needed to devolve climate finance to the local level (GCF 2018d). An estimated 10-20% of total project funding should go into project design to ensure projects fully incorporate robust adaptation, environmental and social safeguards and human rights; yet, unlike the MDBs and UN agencies, most national and subnational institutions do not have these kinds of financial and capacity resources available (Omari-Motsumi et al. 2019).

Recognising their limited capabilities, the AF has streamlined its accreditation process for small institutions seeking projects up to US\$1 million and employing up to 25 staff members, allowing them to provide alternative documentation for each fiduciary standard along with mitigation measures to reduce the AF's exposure to additional risk (Omari-Motsumi et al. 2019). The FIP DGM has also simplified its funding framework to give easier access for IPLC organisations and the GEF SGP has signed memorandums of understanding with CSOs and IPLC organisations for this same purpose.

It is important to reflect that it takes time for international institutions to act in this riskier way, which may be contrary to their business-as-usual mode of operation. The World Bank's shifting positions and the time it took to agree to the FIP DGM model provide a key example. Initially seeing it as too risky, there were several years of back-and-forth before the World Bank could agree to the approach, particularly around procurement. The bank now requires a 'no-objection' letter from each participating government, which enables climate funds to be channelled to the subnational level without needing to go through the national government system. The World Bank is opposed to directly contracting local experts, favouring open procurement calls instead. Devolved funds have successfully built local capacity, but projects still underestimate the need for early capacity building. The FIP DGM has successfully built the capacity of IPLC organisations so they can more effectively engage in sustainable forestry and landscape management, and even meet some of the World Bank's fiduciary standards. However, in Peru's FIP DGM, the national executing agency WWF Peru — had to raise alternative funds from Norway's International Climate and Forest Initiative. Although it had not budgeted for any workshops or training, it had to play an important monitoring and capacity development role with many of the technically weaker regional organisations to ensure they could write proposals, implement subprojects and report results (ITAD 2019).

Similarly, the AF EDA South African SGF committed US\$325,000 to support institutional capacity building and has a long-term outlook of helping local community organisations develop their own adaptation investments rather than rely on external agencies in the future. However, local actors have needed more early capacity support than the project had anticipated. Although the considerable trial and error capacity that the facility has given the local community organisation has not reportedly impacted on the project's financial management, compliance with its fiduciary standards has been prioritised over early capacity building (Omari-Motsumi et al. 2019). As the EDA window under the AF is yet to have its operational modalities approved by the board, this presents a unique opportunity for the AF to be one of the few funds that factors in financing for local-level capacity building to enhance EDA.

PPCR programmes also show signs of building local and national capacity in supporting devolved mechanisms. For example, PPCR supported activities in Tajikistan that contributed to the development of the CLIMADAPT initiative. This climate resilience financing facility, launched in 2016, was developed by the EBRD and PPCR with support from the UK government and the multi-donor EBRD Early Transition Countries Fund. The facility works through local partner financial institutions to provide credit to households, local businesses and farmers for climate-resilient activities within the water, energy and land use areas. CLIMADAPT, which also provides technical capacitybuilding support, takes on greater risk in supporting piloting and innovation of technologies.²³

Climate funds can increase efforts to scale up local institutions rather than focusing on successful individual projects. Focusing on process

(supporting local institutions) or outputs (the success of local projects) can have a strong bearing on whether the 'failure' of certain project outputs or delivery within certain time or resource constraints is accepted as achieving 'success' by building resilience. The approach to programme design within FIP DGM provides an example of this difference, where countries prioritise an empowerment or project-based pathway according to their circumstances (Box 9):

- The project pathway prioritises the perspective of impact on the ground through cumulative subprojects. A project will increase its impact by developing and implementing larger and more coherent subprojects, so it emphasises scaling up and replicating successful projects. Failure is observed when subprojects are not delivering their intended outcomes.
- The empowerment pathway, on the other hand, prioritises strengthening IPLC organisations to better manage funds, represent their communities, and raise IPLC issues at a global level. This approach observes success when marginalised people or groups develop their ability to take more control over their own development. As such, it considers failure of subprojects to deliver intended objectives to be learning-by-doing and part of the pathway to achieving successfully capacitated funds and organisations that can better deliver subprojects they design, implement and perhaps finance themselves in the future.

Whether funding follows the project or empowermentbased approach depends on whether IPLC organisations prioritise competitive or non-competitive subgrant procurement. Other climate funds and development financing mechanisms should expand this concept. The chosen pathway can have a strong bearing on what the fund views as success and failure and therefore whether it funds projects that are strong from a technical perspective or those that strengthen local organisations' capacity and agency to develop and manage their own projects now and into the future (ITAD 2019).

There is still a missing focus on helping local organisations grow. Although we did not review the FIP's core portfolio, evidence shows a good amount of funds are going to start up local organisations at the micro-investment scale. But it also points to a lack of support for small- and medium-scale forest enterprises, particularly in incubation and aggregation for smaller businesses (IIED and LTS 2019).

²³ EBRD and CIF. CLIMADAPT Gender-sensitive climate resilience investments in Tajikistan. https://tinyurl.com/yaptpf9f

BOX 9. CHOOSING THE RIGHT FIP DGM PATHWAY

The FIP DGM is a US\$80 million dedicated grant window that devolves grants to IPLC organisations, who in turn subgrant the funds to local projects, identifying, designing, implementing and reporting on them. Evidence shows that forest restoration and management interventions led by IPLC organisations have better met community needs, been more inclusive of the interests of the whole community — particularly women — and produced outcomes more cheaply than standard development activities. This is the result of better community representation in project design and delivery; they are considered co-implementers rather than beneficiaries.

Building IPLC organisations' strengths requires an empowerment approach, but if there are no capable institutions and new institutions are needed from scratch, a project-based approach may be needed. For example:

- Democratic Republic of Congo: The Network of Indigenous Populations for the Sustainable Management of Forest Ecosystems of DRC (REPALEF from *Réseau des Populations Autochtones et Locales pour la Gestion Durable des Ecosystèmes Forestiers de la RDC*), which represents IPLC organisations in the DRC's FIP DGM, decided to take the empowerment pathway. It prioritised building the network's capacity to identify priority projects and develop a more shared vision. This was a result of observing that most of the subgrantees would have had too little capacity for a competitive grant call, which would have favoured the fewer, more capacitated indigenous peoples' organisations but may not have necessarily produced better subprojects.
- Brazil: The FIP DGM project in Brazil took the project pathway, supporting 60 subprojects. To provide funding to a range of indigenous peoples' organisations — many of whom may not have adequate financial management capacity — the DGM steering committee gave the financial execution of subprojects to a national representative organisation. Although the project provided institutional support, many IPLC organisations have expressed their desire to build their own financial management capacity.

Source: ITAD 2019

Principle 6. Converged

No single resilience project or investment can address all climate risks. And no single institution or project can address the key enabling conditions for successful devolved resilience investments. So, it is important for donors, aid agencies and governments to converge development and climate financing initiatives to achieve more coherent impact. This goes beyond the business-as-usual donor coordination meetings, which often do not lead to or incentivise budget or technical convergence to achieve more efficient and transformational change. In Box 10, we have attempted to identify indicators outlined across the global climate funds to assess the extent of their coordination with each other and wider development finance. However, it proved incredibly hard to assess, which is a result in itself. Global funds make sporadic references to coordination across government and donors, but the nuance of these collaborations is not well reported within funding evaluations or reports. We did, however, identify a few preliminary examples.

BOX 10. CONVERGENCE INDICATORS

- Donors should seek to converge their initiatives to strengthen the enabling environment more strategically.
- 2. Donors should converge their support and integrate their research, technical support and investment finance to maximise the impact and institutional legacy they leave behind.

Global climate funds are beginning to coordinate with each other, but there is little evidence of collaboration with wider development finance or convergence within climate finance to achieve greater impact. The climate funds are taking steps to improve the way they work together to provide more coherent and complimentary support in countries (for example, Adaptation Fund 2019b; Worlen et al. 2020). The GCF and CIF's recently commissioned multilateral analysis covers synergies between the GCF, CIF, AF and GEF (Worlen et al. 2020). To date, coordination appears to be on two fronts: coordinating policies and procedures — such as accreditation and investment criteria — and supporting the scaling up of each other's pilot projects. The report finds "a lack of coordination and harmonization of processes and procedures between the different multilateral climate funds" and that these misalignments make it harder to blend funds, lead to uncertain approval policies and create continuity issues for interventions.

Funds with very different policies and procedures are struggling to work together. But there is evidence of the GCF scaling up projects from the LDCF, AF and the PPCR. For example, it has supported seven of the AF's projects (Adaptation Fund 2019f). Several regional and country-specific GCF projects - such as GCF/UNDP Strengthening Climate Resilience Agricultural Livelihoods in Agroecological Regionals I and II in Zambia; GCF/ ERDB Scaling-up Hydropower Sector Climate Resilience in Tajikistan; and GCF/ERDB's Regional Scaling-Up Private Sector Climate Finance through Local Financial Institutions - also build on foundational activities covered by PPCR programmes. The CIF has introduced the Stakeholder Advisory Network (SAN) for climate finance, a platform that will convene actors from across climate funds to facilitate a space for coordination, improved governance and inclusivity. The platform is still in its early stages, but there is already concern across civil society organisations that the SAN is top-down and not an inclusive forum.

We found few examples of global climate funds collaborating with donors and aid agencies outside of the climate funds. The World Bank's engagement with the Ministry of Land, Environment and Rural Development in Mozambique is one example where this has come together well. As the implementing entity, the World Bank has played an important role in supporting Mozambique to access finance from different funds. Mozambique's Integrated Landscape and Forest Management portfolio is now receiving US\$203.7 million across eight projects, brought together from several funding sources, including FIP, GEF, the Forest Carbon Partnership Facility, the International Development Association, the Program on Forests (PROFOR) and a specific multi-donor trust fund created to coordinate further donor support.

Some programmes, like LoCAL (Case study 9), seek to work from a country's decentralisation agenda. The LoCAL mechanism seeks to support local governments to channel in finance from several sources, including the EU Global Climate Change Alliance (GCCA), the AfDB, national climate funds such as Cambodia Climate Change Alliance Trust Fund (CCCA) and Benin's FNEC, international climate funds such as the GCF and also bilateral, UN and domestic finance, through intergovernmental fiscal transfer systems. Despite its relatively smaller volumes of support, the initiative has expanded to 14 countries, most of which are in a process of scaling up with additional coverage and funding. However, it is unclear how well this helps link broader development finance decentralisation reform, given the mechanism's small volumes of financing support.

National focal points and agencies play a key role in coordinating and enabling climate finance to flow within a country, while national champions play an important role in incentivising a more devolved approach. National focal points and designated authorities or agencies are crucial for coordinating climate and development finance within a country. If they do not favour devolved or strongly participatory climate financing, it can create a major blockage in delivering resilience investments to the local level. So, the choice of who becomes the national focal point or designated agency is important. Finance and planning ministries play central roles in coordinating their countries' development by leading their budgeting and development planning, and allocating resources to different sectoral ministries. But more typically, it is the Ministry of Environment that is assigned as national focal point and agency for global climate funds. However, environment ministries often have a specific mandate that leads to siloed planning and programming in their own sector and do not always have the ability or mandate to reach out to other key resilience-building sectors. So, it is crucial that the appropriate ministry or department — or selection of agencies — are involved (Omari-Motsumi et al. 2019). The GCF's readiness support for strengthening national focal point systems can play a large role here.

The approach taken under the FIP DGM and GEF SGP — once no-objections from government have been approved — is to assign a national coordinating body that is multistakeholder and has representation from local actors and communities. This means decision making, and not simply advisory, power. The representation this governance structure enables provides key lessons for all dedicated devolved funds or financing windows (ITAD 2019).

We can see the importance of strengthening and supporting national champions for enabling stronger national coordination and stronger uptake of climate objectives in Zambia's PPCR programme. The country evaluation found that Zambia's participatory PPCR investment process was strongly led by a national champion for climate change. Establishing a national climate change secretariat helped bring together other donors and aid agencies to align their objectives and support the community-driven resilience initiatives more coherently (Case study 7).

6 Conclusion

This report sought to identify good practice and lessons from devolving climate finance to the local level, to ensure decisions about resilience investments are made closer to the people and places that matter most, especially the poorest, most marginalised and excluded.

We recognise that this report is limited in scope, focusing on six global climate funds and two climate and development initiatives, and reviewing only published evaluations and a small number of projects relative to the size of their portfolios. Nevertheless, this limited review against our six good climate finance criteria has allowed us to identify important lessons that apply to any climate fund, donor or aid agency seeking to increase the quantity and quality of their portfolio of devolved climate finance. Furthermore, we have confirmed the usefulness and applicability of our good climate finance principles.

In the future, **it will be useful to apply these principles to larger portions of these global climate funds' investment portfolios** — especially the funding windows that are not only focused on devolved finance — and extend their application to major climate finance intermediaries and core bilateral donors' own operations. It is important to further investigate the application of robust understanding of climate risk and uncertainty (Principle 2) and the convergence of climate and development finance across all sectors and governance levels (Principle 6), as the results included in published evaluations and reports limited our ability to accurately assess these.

The case for better-devolved climate finance

Overall, the **devolution of climate finance appears small**. And when climate finance is devolved — for example, through the AF and GCF's EDA financing windows and the GEF's more mitigation-focused SGP and FIP DGM — it is **limited by its lack of patience and predictability**. There is an urgent case for new or improved global climate financing mechanisms to provide patient climate finance over a minimum of ten years to the local level.

Although we could not evaluate the GCF's entire portfolio, its core financing windows can provide grant, equity and concessional loans beyond ten years. There is clear value in using patient finance - which provides the resources, space and time to prepare investment robustly - to build a much stronger pipeline for GCF's core adaptation (and mitigation) funding by shifting the focus towards supporting greater devolution. Antigua and Barbuda's EDA project (case study 1) shows how a recipient institution can support devolution innovatively even within EDA's short funding boundaries. We look forward to seeing how the financing mechanisms they support are able to leverage GCF's core resources, as well as how the newly accredited institutions in Bhutan and Benin fair. With the CIF possibly being recapitalised after the funds' recent decision to postpone discussion of a potential sunsetting for the foreseeable future, there is also an opportunity to strengthen and widen the devolved focus of funds like the PPCR (CIF 2019a).

To achieve this, we need **more devolved climate finance that prioritises an empowerment**

approach. This finance must tolerate failure in subprojects and subgrants because they provide good learning and strengthen capacities to manage funds and make decisions on climate resilience investments. There must be a much stronger emphasis on — and therefore a larger scale of financing for — capacity building and technical assistance alongside investment finance, enabling learning by doing. Even the good examples of devolved climate financing we identified underestimate and/or lack finance for the scale of capacity building needed and the time required for it.

Key lessons for betterdevolved climate finance

Based on our review, we identified a set of specific lessons from across the six principles for new or improved devolved climate financing mechanisms to incorporate at the fund or investment level:

- 1. Ensure simple and locally relevant policies, guidelines and access: Provide all fund policies and procedures in local languages and as clearly as possible. Use more innovative and equitable ways to develop and submit proposals, such as using video or audio descriptions of project objectives to ensure they meet local priorities. Ideally, develop these guidelines and access modalities in collaboration with local actors to ensure their relevance.
- Avoid overly hierarchical decision making: Favour downwards accountability and compliance to avoid overriding the agency and knowledge systems of local actors.
- 3. Develop guidelines for locally relevant and robust adaptation principles: Develop clear but simple guidelines on robust adaptation approaches that promote the use of generational knowledge. Accompany these with adequate capacity building support ahead of proposal development or accreditation to strengthen understanding and knowledge of these concepts.

- 4. **Provide more patient finance:** Provide devolved financing for a minimum of ten years. Rather than reducing funding risk by focusing on devolved pilots, consider the risk of not investing in an empowerment-based approach that allows local actors to take control of their own development and climate change adaptation.
- 5. Develop indicators that support locally led action: Strengthen investment criteria and MEL guidelines to better recognise local facilitation, iterative learning, mainstreaming traditional and generational knowledge into scientific climate information and building social and political capital.
- 6. Invest in adequate capacity building and learning frameworks from the beginning that help leave institutional legacies: Do not underestimate the amount of capacity building or learning time and resources needed at the beginning of devolved resilience investments. Develop indicators or theories of change for funding windows that allow for the early years of investments to focus on testing and learning by doing rather than immediate outcomes. This will help institutions develop through empowerment-based approaches, creating much greater changes of higher impact and sustainability.
- Enable greater budget flexibility: Provide more flexible capacity building and investment finance budgets, beyond the standard 10–15% threshold that normally requires approval. Allow funds to be used more flexibility — for example, to pay local staff salaries. Finally, focus co-financing on in-kind rather than financial investment.

Acronyms

ADB	Asian Development Bank	MSME	micro, small and medium enterprises	
AF	Adaptation Fund	NAP	national adaptation plan	
AfDB	African Development Bank	NCDD-S	National Committee for Subnational	
ARAF	Acumen Resilient Agricultural Fund		Democratic Development — Secretariat	
BOAD	West African Development Bank	NDC	nationally determined contribution	
CBNRM	Community Based Natural Resource	NGO	nongovernmental organisation	
	Management	NIE	national implementing entity	
СВО	community-based organisations	NSC	national steering committee	
CDD	community-driven development	OECD	Organisation for Economic Co-	
CIF	Climate Investment Funds		operation and Development	
CLIMADAPT	Tajikistan Climate Resilience Financing Facility	PBCRG	Performance-Based Climate Resilience Grant	
CSO	civil society organisations	PPCR	Pilot Programme for Climate Resilience	
DGM	Dedicated Grant Mechanism	REDD	reducing emissions from deforestation and degradation	
DRC	Democratic Republic of Congo		Network of Indigenous Populations	
EBRD	European Bank for Reconstruction and Development		for the Sustainable Management of Forest Ecosystems of DRC/ Réseau des Populations Autochtones et	
EDA	Enhanced Direct Access			
EIF	Environmental Investment Fund		Locales pour la Gestion Durable des Ecosystèmes Forestiers de la RDC	
EU	European Union	SANBI	South African National Biodiversity	
FIP	Forest Investment Programme		Institute	
FNEC	Benin National Fund for Environment	SAP	Simplified Approval Process	
	and Climate	SGF	Small Grants Facility	
GCF	Green Climate Fund	SGP	Small Grants Programme	
GEF	Global Environment Facility	SIDS	Small Island Developing States	
IPLC	indigenous peoples and local community	SPCR	Strategic Programme for Climate Resilience	
LDC	Least Developed Country	SREP	Scaling-Up Renewable Energy Program	
LDCF	Least Developed Countries Fund		for Low-Income Countries	
LIFE-AR	LDC Initiative for Effective Adaptation and Resilience	UNCDF	United Nations Capital Development Fund	
LLAT	Locally Led Adaptation Action Track	UNDP	United Nations Development	
LoCAL	Local Climate Adaptive Living Facility		Programme	
M&E	monitoring and evaluation	UNEP	United Nations Environment Programme	
MDB	multilateral development bank	UNFCCC	C United Nations Framework Convention on Climate Change	
MEL	monitoring, evaluation and learning			

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Society's poorest, most marginalised and excluded people have little say on the triple crisis of climate change, nature's degradation and poverty; yet they are most affected by it. Climate finance is a key resource to help them deal with the impacts of this crisis. This paper uses six criteria for 'good climate finance' and a positive deviance approach to draw lessons from six international climate funds and two development financing mechanisms to understand where climate finance is being delivered effectively to support locally led solutions. Based on this, it also presents recommendations for how climate finance could better support local actors to access and deliver the climate finance that they need to build their own climate and nature-positive solutions.

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