Follow the money

Tracking Least Developed Countries' adaptation finance to the local level

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- Supporting public planning processes in delivering climate resilient 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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There is growing recognition that local organisations, people and communities need to lead or be meaningfully involved in the response to the climate, biodiversity and poverty crisis. The Least Developed Countries (LDCs) are leading a call for localising international climate adaptation finance, a crucial resource to support local actors and help developing countries respond to and prepare for worsening climate. This report investigates how feasible it is to track this finance to the local level in LDCs and considers what questions we must ask to address the prevailing transparency challenges that make it impossible to understand what progress is being made.

Contents

Summary

In 2020, we witnessed the devastation of extreme climate events under a warming world. With the global average temperature rising rapidly above pre-industrial times, we are on course to hit 3–4°C by the turn of the century. The poorest and most excluded people are least responsible for, yet face the gravest risks from, not only the climate crisis, but the combined biodiversity and poverty crisis that is resulting from our exploitative economic model. To achieve transformative adaptation, we must ensure that local people — especially women, youth, children, disabled people, displaced people, Indigenous Peoples and excluded ethnic groups — have greater voice in decisions that affect them.

Against this backdrop, the Least Developed Countries (LDC) Group has committed to get 70% of climate finance to the local level by 2030 and is driving momentum behind a shift towards more locally led adaptation. Yet, our knowledge of the flows and quality of adaptation finance remains poor. According to contributors reporting to the United Nations Framework Convention on Climate Change, we know that just 20% of climate finance is invested in developing country adaptation;[1] but we know little about the quality of this finance.[2] Contributors (that is, donors) neither track nor report on how much reaches local actors, the terms they provide it on or who decides on its use. As we move closer to the 26th UN Climate Change Conference in Glasgow, this paper explores the practicality of tracking climate finance to the local level. We investigate bilateral and multilateral climate finance contributors' reporting to the Organisation for Economic Co-operation and Development's (OECD's) global aid database — the Development Assistance Committee's (DAC) Creditor Reporting System (CRS) — and offer contributors who are prepared to radically improve climate finance reporting and transparency a set of questions that will enable better tracking of the role and agency of national to local actors.

Findings

We believe that climate adaptation finance contributing towards the 2020–2025 US$100 billion annual goal must distinguish its intentions, whether it is Paris Aligned official development assistance (ODA) and so already adapted to climate futures, *influencing* development finance to adapt to the range of climate futures or *innovating* and *investigating* adaptation solutions. Adaptation must be mainstreamed into development activities, but to support transformative change we need more investments in projects where adaptation is the primary objective. Guided by this distinction, our review of investments reported to the DAC CRS could only verify **that US$5.9 billion of climate adaptation finance was invested in LDCs over a five-year period** where climate adaptation was the primary objective. This means less than 20% of the adaptation finance received by LDCs is invested in projects most likely to deliver transformative adaptation. If this trend continues, this would equate to less than 3% of (poorly) estimated LDCs annual adaptation finance needs between 2020–2030.[3]

Of this, **as much as 46% intended to give agency to local actors**, while up to 80% (US$4.7 billion) targeted local actors as 'beneficiaries'. But we found **little evidence of local actors fully leading adaptation interventions**. As we delved deeper, a less promising picture emerged of the quality of inclusion in decision making and the fairness of primary adaptation finance flows**: less than 3% intended to primarily tackle gender inequalities; only 2% targeted Indigenous Peoples; and less than 19% prioritised non-state enterprises and nongovernmental organisations respectively.** These percentages fall further when looking for evidence of intention to give these actors agency over local adaptation decisions. Transformative adaptation requires disrupting existing power dynamics, but this will be a challenge with such small adaptation finance flows aimed at reaching, giving agency to and tackling the structural exclusion of excluded groups.

Low levels of contributor transparency make tracking finance difficult. All the figures in this report are upper-level estimates, as we examined contributor intentions from their own reporting. Even when able to follow OECD reporting on contributors' project documents, it was difficult to identify how much of a project's budget was associated with a particular local actor or establish their role in the adaptation process. There is also growing evidence of internationally financed adaptation projects overestimating their intended beneficiary numbers.[4,5] The reality, therefore, could be much lower.

Deeper analysis of the three largest projects in our dataset further highlights these challenges. All three had characteristics of 'high localisation', with local actors given some agency in the adaptation process.

WHAT IS INTEGRATED SUBSIDIARITY?

Subsidiarity is a central concept to our approach to locally led adaptation, but we recognise its limitations by emphasising **integrated subsidiarity** — seeking co-governance arrangements over adaptation wherever possible, with far greater agency given to local actors than at present. Integrated subsidiarity seeks to capture the concepts of polycentric governance, vertical integration across governance layers and horizontal integration across sectors and stakeholders — enabling multiple perspectives for collaborative decision making to resolve trade-offs and combine valuable local, traditional and cultural knowledge with scientific and technical knowledge.[6]

But their documents provide little detail of how they engage local actors, how much finance is intended to reach or be devolved to the local level, and they neither explain nor justify the level of **integrated subsidiarity** in financial decisions.

In the three largest cases, local agency was limited to decisions over project components within a design agreed at a higher level. We found only one example where a small proportion of the budget was devolved for local-level decision making and not constrained by prechosen solutions. This is not to conclude that they were poor projects, but there was little evidence to justify why stakeholders were chosen to lead different parts of the adaptation process. This is important, as there is clear evidence that top-down decision making in adaptation programming — even with good intentions for genuine local participation — can result in maladaptive outcomes that increase the vulnerability of the people and communities it intends to support.

Measuring localisation

Despite the challenges, our analysis helped us unpack four characteristics of adaptation programming that could help projects better describe their intended level of integrated subsidiarity in adaptation decision making, and provide enough information for actors from across the whole of society to engage and hold donors and delivery partners to account. The questions included here can guide discussions on radical improvements in climate finance reporting and should be adapted with local actors to ensure they represent the characteristics of locally led adaptation that are important and make sense to them.

1. **Which actors does the project intend to engage?** This should consider vertical and horizontal integration, paying attention to organisations and constituent groups led by those typically excluded due to gender, generation, race, religion, ability, citizenship, poverty and so on.
2. **What level of agency will these actors have?** This may stretch from 'no localisation', where there is no local involvement or local actors are likely to be distant beneficiaries of global goods, to 'very high localisation', where local actors lead an adaptation process and excluded groups' political capabilities are invested in. This requires careful consideration of how to integrate indicators of citizen engagement and local participation.
3. **What resources will these actors have authority over?** High localisation levels tend to be associated with subproject rather than programmatic decisions, although we found some examples of local actors with financial control. It is therefore necessary to capture which local actors play a role at which levels of decision making and how much climate finance is devolved to local actors.
4. **At what stage will these actors have influence or authority?** Capturing adaptation programming dynamics is complicated but necessary. We found little evidence of local actors' involvement in setting adaptation project objectives. Future discussions on strengthening climate finance reporting may wish to consider which adaptation programming roles are most important to capture.

Looking forward

Our attempt to track and verify LDCs' adaptation finance is not perfect. This is because climate finance reporting needs to give a higher resolution picture of climate finance flows and build trust in developed countries' commitment to mobilise US$100 billion annually in climate finance from 2020–2025. Global reporting systems like the OECD's need to correlate with radically improved contributor project and activity-level reporting. This will allow recipient countries and citizens to verify climate finance spending, ensure it does not contribute to maladaptation and hold contributors and delivery partners accountable. Alongside the four questions outlined above, we can strengthen climate finance and its tracking to the local level by developing a new and stronger definition of the purpose of climate finance, focused on how it will enable transformational change as well as improve contributor reporting so the LDCs can verify and report on what they are receiving and how it responds to their needs.

Introduction

The world faces a triple and interconnected crisis: a climate emergency, rapid biodiversity destruction and entrenched poverty. The past year has seen devastating typhoons in Southeast Asia, unprecedented locust swarms across East Africa, ravaging wildfires in the United States and the devastating global COVID-19 pandemic. Rooted in a paradigm of extractive economic growth that exploits nature, causes rapid global heating and perpetuates social inequality, these climate and biodiversity crises batter the world's poorest and most vulnerable, who have contributed least, with the worst impacts.[7]

The start to 2021 does not look much brighter. Earth is at its hottest for the past 12,000 years because of human-induced climate change.[8] It looks increasingly likely we will breach the thresholds for climate change agreed in the Paris Agreement of 1.5–2°C in global temperature rise above pre-industrial times. Current climate policy has us on a course for 3°C of warming by the turn of the century, possibly even 4°C if the climate tipping points are triggered.[9] As temperatures continue to rise and ecosystem degradation persists, adaptation to climate change — which avoids or reduces the risks of current and future climate impacts — becomes more important by the day. Preparing for higher warming scenarios requires increasingly disruptive and transformative adaptation, particularly for the poorest and most excluded, as many of the vulnerabilities they face are produced through the structural inequalities they experience.[10]

There needs to be a shift in both distributive and procedural justice, not just between rich and poor countries, but also within countries, with greater agency going to the poor, vulnerable and excluded,[11] particularly women, children, young, disabled and displaced people and Indigenous Peoples. This is because climate impacts differ hugely across contexts and livelihoods. Ultimately, climate adaptation is a governance process as much as a technical one. It is vital that the poorest and most excluded people have more agency in defining adaptation objectives and making adaptation decisions — and as many decisions also need to be taken at higher levels, they also need support to effectively hold wider decision makers to account.[6,12,13] Recognising this need, the Paris Agreement and its Global Goal on Adaptation have called for greater international commitments to support the most vulnerable, including through more genuine participation and transparency in adaptation processes.[14] Local actors and wider stakeholders must be actively involved and able to influence and understand the identification, design and implementation of adaptation actions as well as monitoring, evaluation and learning processes.[15]

Additional finance is incredibly important for supporting climate adaptation within developing countries, as it helps create the incentives for changing business as usual, engaging actors to prepare, cope and respond to the rising impacts of climate change. It can provide the additional resources countries need to help local governments, enterprise, civil society, communities and households experiment in their own adaptation, creating the necessary incentives for transformation and helping ensure all development activity is Paris Aligned. Tracking adaptation finance can therefore help us understand how well we are supporting the adaptation process.[16] Although not an indicator of adaptation outcomes, it can help shed light on the relevance, quality, effectiveness and adequacy of adaptation, as our current understanding is poor.[17]

To date, climate finance discussions have mainly focused on scale and whether flows are new and additional,[18] particularly on developed countries collectively mobilising US$100 billion a year from 2020–2025.[19] Tracking total global climate finance flows is important. It shows that investment in adaptation is lagging seriously behind mitigation — in 2018, contributors reported only US$16.5 billion (21% of overall flows) to developing countries for adaptation,[1] compared to the US$300 billion a year they will need by 2030.[20] Before 2019, there was little focus on how adaptation finance helps support the relevance, quality and effectiveness of adaptation.[15,18]

Over the past years, more attention has been paid to the quality of climate finance, particularly through increased political momentum to get more climate finance to the local level. At the 2019 UN Secretary General's Climate Action Summit, the United Nations Framework Convention on Climate Change's (UNFCCC) Least Developed Countries (LDC) Group launched their LDC 2050 Vision and Initiative for Effective Adaptation and Resilience (LIFE-AR).[21] After reviewing effective adaptation and resilience interventions, they committed to spending 70% of their climate finance at the local level by 2030.[22] Following the LDC Group's lead, the Global Commission on Adaptation launched the Locally Led Action Track in January 2020,[23] and at the 2021 Climate Adaptation Summit, eight principles for locally led adaptation were launched with 50 endorsements, including from most major multilateral climate funds and the UK and Irish governments.[24,25] In March 2021, the UK presidency of the 26th UN Climate Change Conference of the Parties (COP26) announced its support for the eight principles, which include getting climate finance to the local level, improving access to climate finance and giving more agency to the most vulnerable countries and communities.[26]

With this positive shift in norms for getting climate finance to the local level, there are high hopes for increased attention to improving the quality of climate finance at COP26. However, knowledge of how much adaptation finance reaches the local level remains poor.[27] Existing climate finance tracking methodologies — including the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Rio Markers[28] and the multilateral development banks' (MDBs) joint climate finance tracking approach[29] — are not designed to track how much finance reaches local actors. Nor do parties or the UNFCCC Standing Committee on Finance consider how effectively local adaptation is supported in their biennial climate finance assessment reports.[30]

In 2017, we estimated that less than 10% of mitigation and adaptation finance from global climate funds was focused at the local level.[31] Since then, other studies have explored certain aspects of local financing, including a review of the community focus of 30 Adaptation Fund projects,[27] measuring local decision making and governance in four UK-funded programmes against the Global Goal on Adaptation.[18] However, none have sought to track finance across an entire representative set (total bilateral and multilateral flows) of adaptation finance and suggested definitions to date of what constitutes locally led adaptation have been narrow in scope.

To understand the practicality of tracking climate finance to the local level, we make a first attempt to track the contribution that the total international climate adaptation finance invested in LDC projects with adaptation as a primary objective ('primary adaptation finance')[32] has made to deliver local adaptation benefits (an indicator of distributive climate justice) and local agency over adaptation decisions (an indicator of procedural climate justice). We seek to assess the flow of benefits and relative agency across local actors, including local government, nongovernmental actors, private sector actors, communities and excluded groups such as women, youth, disabled people and Indigenous Peoples. This was incredibly challenging, largely due to funders' low levels of transparency.

We start by exploring what we mean by the terms 'local level' and 'locally led adaptation'. In Section 3, we introduce the contributor reported adaptation finance to the LDCs we could verify between 2014 and 2018 and consider how this equates to LDCs' adaptation financing needs. In Sections 4 and 5, we explore the flow of adaptation benefits to local actors and their agency over decisions more deeply. We conclude by summarising the characteristics we identified as important to consider for meaningful climate finance tracking and offering some practical steps forward for an improved international climate adaptation finance definition and transparency. We hope that climate finance providers, national governments, delivery partners and local actors who have committed to the LIFE-AR compact or endorsed the Principles for Locally Led Adaptation can use the lessons we have learned as they collectively seek to scale up and track progress in locally led adaptation over the next ten years.

What is locally led adaptation?

Before presenting our methodological approach, we first introduce who we mean by local actors and locally led adaptation, and contextualise how adaptation should be delivered at the local level in collaboration with stakeholders from across the whole of society.

2

The term 'local' is widely but inconsistently used, variously referring to stakeholders within a developing country, actors below the national level, community-level institutions, households and individuals.[33] Local actors also vary across different hierarchies of local jurisdiction. Yet, most studies looking at local climate finance tend to only consider local communities and/or local governments.[18,27] There are also several interpretations of locally led adaptation. To some, it means that local people participate in prioritising or implementing adaptation. But in practice, this often means presenting local people with predetermined adaptation options so they can voice preferences or concerns before somebody else implements them in a process that remains outside of their control.[34] We therefore seek to clarify these terms in a way that better reflects the heterogeneity of both local communities and of local actors.

We consider **local actors** to encompass the people and communities at the frontline of climate change, and the local institutions representing them and supporting them to facilitate their adaptation (Box 1).[2] We consider that **locally led adaptation** is not simply about delivering adaptation benefits at the local level or getting local people to participate in a project. Rather, it means that local people, their communities and local institutions are given the space and authority for individual and collective agency over designing, monitoring and evaluating adaptation actions, and working with higher levels to implement and deliver adaptation solutions in those domains where local action is not the most effective. Meaningful engagement of the diverse range of local perspectives ensures that adaptation choices are made with reference to cultural practice and ancestral knowledge as much as climate science, and so are more easily integrated into everyday life and local institutions.

BOX 1. WHAT WE MEAN BY LOCAL

We consider local actors to encompass the people and communities on the frontline of climate change and the local institutions representing and supporting them to facilitate their adaptation.

Local institutions include formal and informal organisations below the national level, that are composed of or directly accountable to local people, making them better placed to create the spaces for local people to have agency over their adaptation. Although this analysis emphasises local actors closest to communities who can facilitate face-to-face interpersonal relationships for collective adaptation action, they can also include:

- **Local authorities:** Authorities from regional to district government agencies (below subnational level) that are responsible for meeting local needs, particularly through public services and infrastructure and by enforcing regulatory frameworks and policy.
- **Local private sector:** Formal and informal enterprises of all sizes that form a country's economic backbone, drive economic growth and create jobs. We do not disaggregate between small and large private sector organisations, and in some instances include national corporations.
- **Local civil society:** Community organisations and social movements that reach and represent excluded people, invest in locally led, people-centred solutions and engage in political and social issues to shift public opinion, norms and behaviours. In some instances, this includes local nongovernmental organisations (NGOs).

Why more locally led adaptation?

Climate change impacts threaten our societies, economies and ecosystems differently, varying in their magnitude, timescales and interactions with other environmental, social and economic risks. Effective solutions therefore require a **'whole-of-society'** approach. By this, we mean that the complex system of public, private and civil society actors — with their richly varied interests, capacities, vulnerabilities and contributions — work together to find coherent adaptation responses, resolving trade-offs and maximising synergies.

Some solutions are more effectively developed at higher levels of governance but, given the highly top-down nature of current solution development, we propose that the balance needs to shift to more locally led adaptation. This is to recognise the distributive and procedural injustices that poor and excluded people and their communities have faced. **Distributive injustice** means that, proportionally, the poorest and most excluded people are most impacted by the climate crisis and spend most on addressing it[11] despite being least responsible for creating it. **Procedural injustice** prevents the poorest and most excluded people from participating in decisions over their own climate adaptation, including accessing or controlling the resources and services they need to build their resilience. By addressing distributive and procedural justice head on, and by giving more agency to local actors, there is evidence that more context-specific, integrated, accountable, democratic, agile, diverse and cost-effective adaptation solutions can be delivered.[35]

There are, of course, challenges to addressing local governance, such as elite capture, participation fatigue and the reproduction of structural inequalities.[36] Tackling these challenges at local as well as at higher levels is likely to bring about more meaningful and deeper transformative change, given the importance of context-appropriate action in tackling the underlying drivers of vulnerability to climate and other shocks. We also recognise that, as local communities have done the least to cause climate change, the responsibility to adapt should not be an additional burden for them. Rather, they should receive appropriate support and resources to invest in solutions that tackle the underlying drivers of vulnerability.

The **subsidiary concept** — whereby decisions and actions take place at the lowest most effective unit(s) — is central to the whole-of-society approach. The level of adaptation agency will often lie above the household level, at community, subnational or even national level.[33] However, our conceptualisation of the subsidiarity concept recognises that most challenges cannot be solved at the local level alone. Many require creative, effective and efficient solutions to environmental and social problems that are implemented collaboratively across many levels and seldom in isolation.[33,37,38] In our application of this concept, we note the importance of vertically and horizontally integrated processes for effective adaptation, given the complex nature of climate change.[13,39] We therefore emphasise **integrated subsidiarity**, which seeks co-governance arrangements over adaptation wherever possible, with far greater agency given to local actors than at present. We also recognise that vertical and horizontal integration is often politically and technically challenging. It is therefore important to support a range of adaptation interventions across society — not only to build resilience through sufficient redundancy, but also to better tackle the distributive and procedural injustices faced by different sections of society.

In summary, getting climate finance to the local level does not mean it will always lead to good adaptation outcomes. The evidence for effective decentralisation is mixed, for example, as funding is often either not properly devolved or caught up in higher bureaucratic or political layers.[40] Adaptation finance is also prone to elite capture, which can result in adaptation interventions reinforcing existing power imbalances.[6] But there is significant evidence that top-down solutions are often unsustainable and unjust,[11,33,34,37] particularly when it comes to effective adaptation, which requires context-specific solutions.[41] So, even when locally led adaptation is not the most appropriate option, without the active involvement and perspective of local people and local institutions, adaptation interventions are more likely to be less effective and produce maladaptive outcomes[6,42]

Calculating LDCs' primary adaptation finance

Before delving into our analysis of the US$5.9 billion dataset of primary adaptation finance to LDCs, we must first set out its context. This section explains how we developed our dataset, and how it stacks up against total LDC development, climate and adaptation finance flows and LDC financial needs.

3

To our knowledge, there are four primary[43] global datasets that can help track climate finance flows. Countries and institutions contributing[44] climate finance often report through their own platforms and portals, but only global datasets allow practical comparison of financial flows across contributor countries, thematic areas and sectors. These four datasets are:

- **OECD DAC Creditor Reporting System (CRS):**[45] Formed of OECD bilateral and multilateral contributors' mandatory self-reported official development assistance (ODA) and other official non-export credit flows against the Rio Markers, this dataset presents 'climate-related development finance' reported since 2010. The data are split by contributor country, aid agency, recipient country and sectoral focus. Importantly for our purposes, the CRS provides data on individual projects and programmes.[1] OECD DAC CRS is the most accessible and easily comparable dataset of climate finance across bilateral and multilateral channels.
- **International Aid Transparency Initiative (IATI):**[46] Although voluntary, many OECD contributors also report their aid and climate finance to IATI. In theory, IATI provides a more comprehensive platform for tracking climate finance, as its d-portal compiles information on programme components and subprojects and financial flows to intermediaries across a programme; it also has links to programme documents.[47] However, not all bilateral and multilateral contributors use IATI, it has no central quality control and isolating a dataset on LDC adaptation finance flows is not straightforward.
- **Contributing country biennial reports to the UNFCCC:**[48] Every other year, contributing countries report to the UNFCCC on their climate finance. The OECD's climate finance reports use these bilateral biennial reports to the UNFCCC rather than the data reported to its own DAC CRS. However, as the UNFCCC does not capture the biennial report information on a single database, information is often unavailable at activity level and is often inconsistently reported, so we did not use these reports in our analysis.
- **Climate Funds Update:**[49] This database on multilateral climate funds' finance at project and programme level is probably the most useful dataset for analysing multilateral climate funds. It includes information on the readiness funds used to build preparatory capacity on climate finance and related knowledge and skills.

We chose the OECD DAC CRS as the starting point for our LDC adaptation finance data, beginning with the climate-related development finance flows reported to OECD DAC between 2014 and 2018. To capture outflows from MDBs and multilateral climate funds, we used the OECD's recipient perspective data on climate-related development finance over this five-year period.

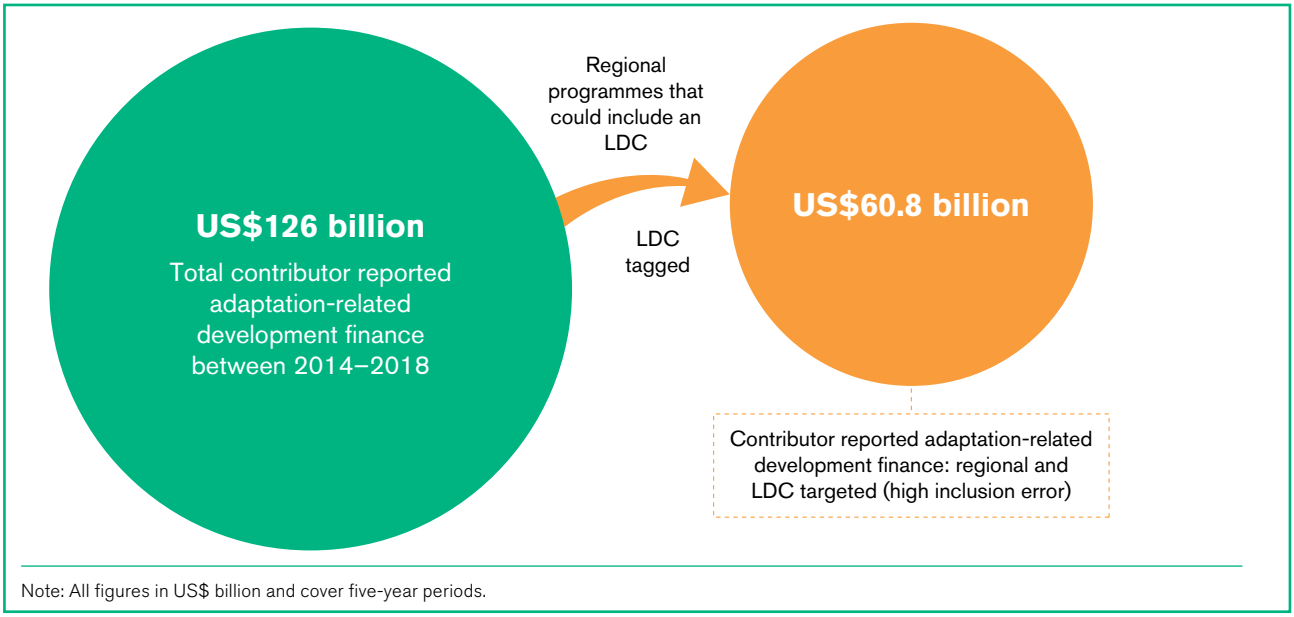
We recognise that international adaptation finance flows are only a subset of the adaptation finance invested in LDCs. Other important flows include international private finance, public and private domestic sources, and communities' and households' own investments. These dwarf the tiny flows of international public climate finance. For example, estimates suggest that Bangladeshi household investment in adaptation and disaster response are far greater than international and national adaptation investment combined.[50] The role of international climate finance must therefore be to enable innovation and experimentation, test ways to best achieve the transformation needed and, in so doing, influence these much larger flows.

Narrowing our dataset

As no single global dataset reports the amount of finance reaching the local level,[27] we analysed and coded the data to identify localisation characteristics (see Sections 3 and 4). This required a useable dataset. Of a possible LDC adaptation finance dataset of US$60.8 billion, we could confidently say that only US$5.9 billion in LDC adaptation finance between 2014 and 2018 was invested in projects with the main objective of delivering climate adaptation outcomes and had enough information for us to attempt to code how localised decision making is. The following steps describe how we narrowed the dataset down to 1,163 data entries and roughly 450 adaptation projects or programmes – herein we refer to these simply as projects.

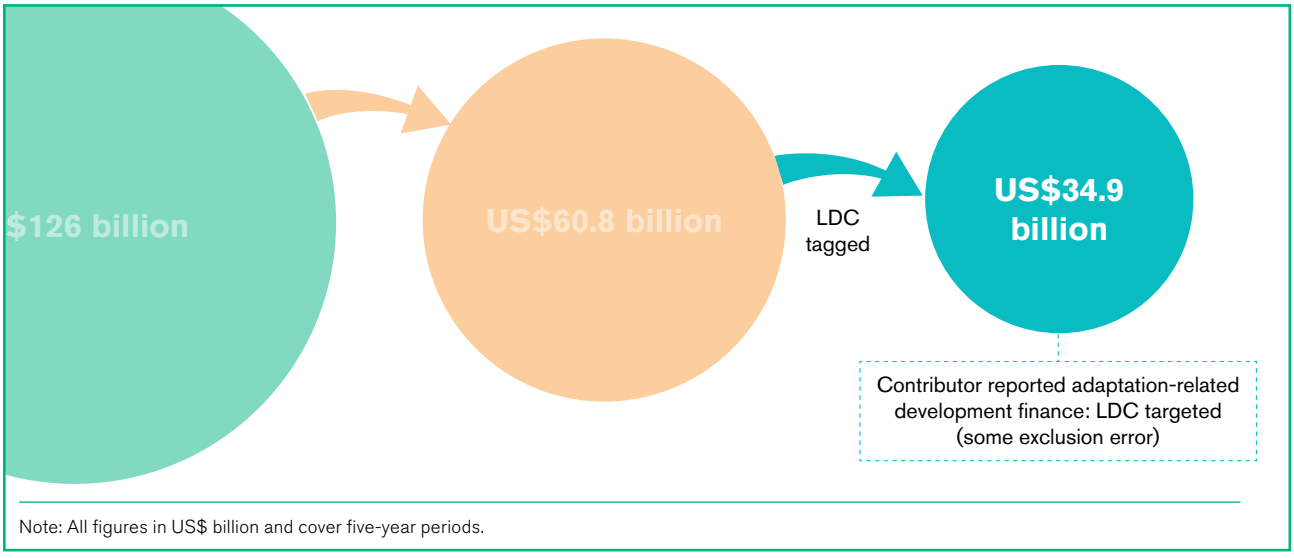
Step 1. Narrowing total contributor reported adaptation-related development finance to developing countries (US$126 billion) to contributor reported regional and LDC targeted adaptation-related development finance (US$60.8 billion with high inclusion error): OECD DAC contributors reported providing US$126 billion in total adaptation-related development finance between 2014 and 2018. Where they support individual LDCs, contributors tag the amounts as 'LDC targeted'. But there are also regional programmes that include LDC countries where the LDC tag is not used. So, when including all regional programmes which could contain an LDC, we found contributors reported US$60.8 billion in adaptation-related development finance, or an annual average of US$12.2 billion. However, we note this figure has a significant inclusion error, with regional programmes often including high numbers of non-LDCs.

Figure 1. Step 1 in developing our LDC climate adaptation finance sample.



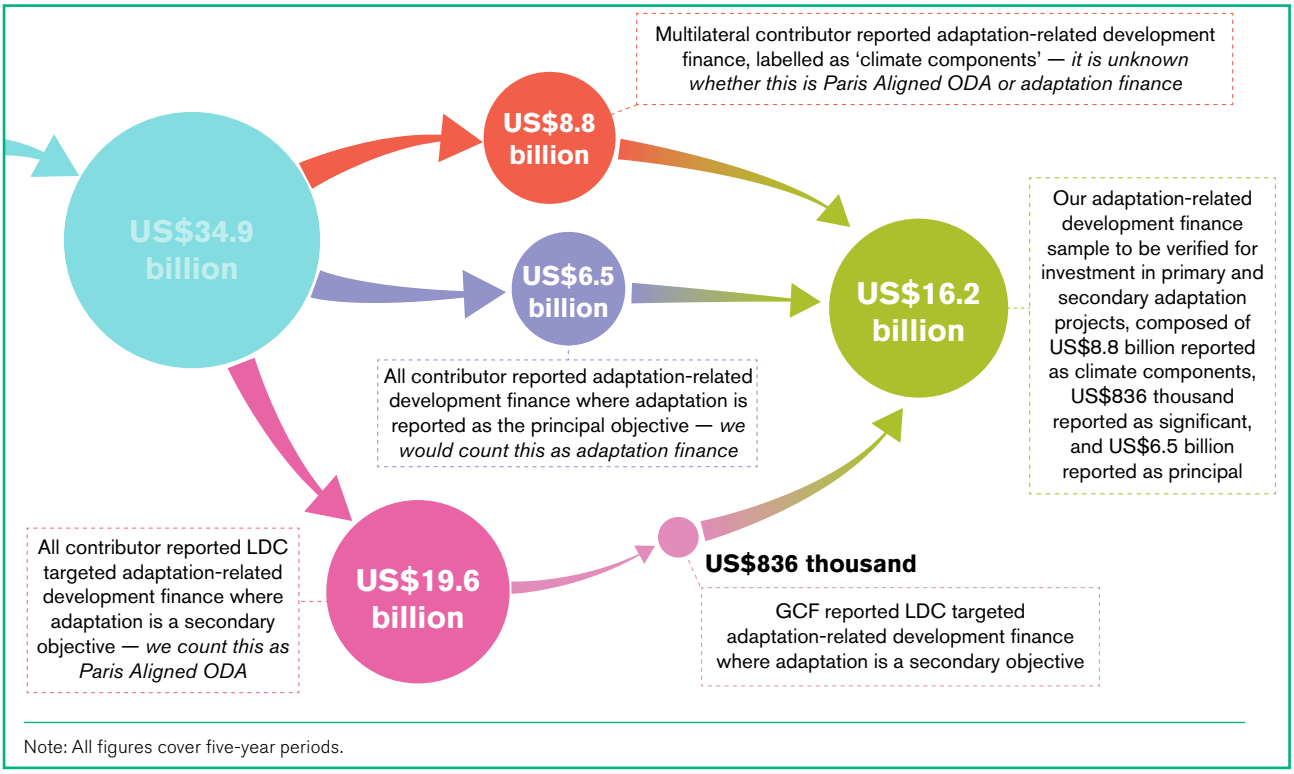
Step 2. Narrowing contributor reported regional and LDC targeted adaptation-related development finance (US$60.8 billion) to contributor reported LDC-targeted (US$34.9 billion with some exclusion error): As it was impractical to try to identify how much adaptation finance within the regional programmes targeted an LDC, we only used entries tagged as 'LDC targeted'. This gave us an estimate of US$34.9 billion with some exclusion error, or an annual average of US$7 billion.

Figure 2. Step 2 in developing our LDC climate adaptation finance sample.



Step 3. Narrowing down from contributor reported LDC adaptation-related development finance (US$34.9 billion) to our adaptation-related development finance sample for adaptation verification (US$16.2 billion): Next, we used the Rio Marker adaptation codes to identify 'significant' adaptation finance, as we looked only at international climate adaptation finance where it was invested in projects with the primary objective to deliver climate adaptation results. This removed US$19.6 billion reported by contributors that had adaptation as a significant objective. It was not possible to simply select 'principal' adaptation finance, as most MDBs only report their climate finance for the specific components that have climate as an objective (see Box 2, p.17). We also retained the 'significant' adaptation finance reported by the Green Climate Fund (GCF) as, despite supporting several adaptation projects in LDCs between 2014 and 2018, none reported adaptation as their principal objective.

Figure 3. Step 3 in developing our LDC climate adaptation finance sample.



Step 4. Narrowing down our adaptation-related development finance sample for adaptation verification (US$16.2 billion) to our verified LDC adaptation finance where adaptation is a primary objective (US$5.9 billion[51]): We finally verified our US$16.2 billion sample of adaptation-related development finance reported by contributors to the OECD, where adaptation is the primary objective of the project or programme (Box 2). To do so we undertook two steps. First, we analysed and scored each data entry for transparency on a four-point scale based on how well we could identify supplementary online information linked to that activity, where:

0 = not enough information to review

1 = short description on the OECD or IATI database

2 = information could be gleaned from a news article

3 = short project profile, and

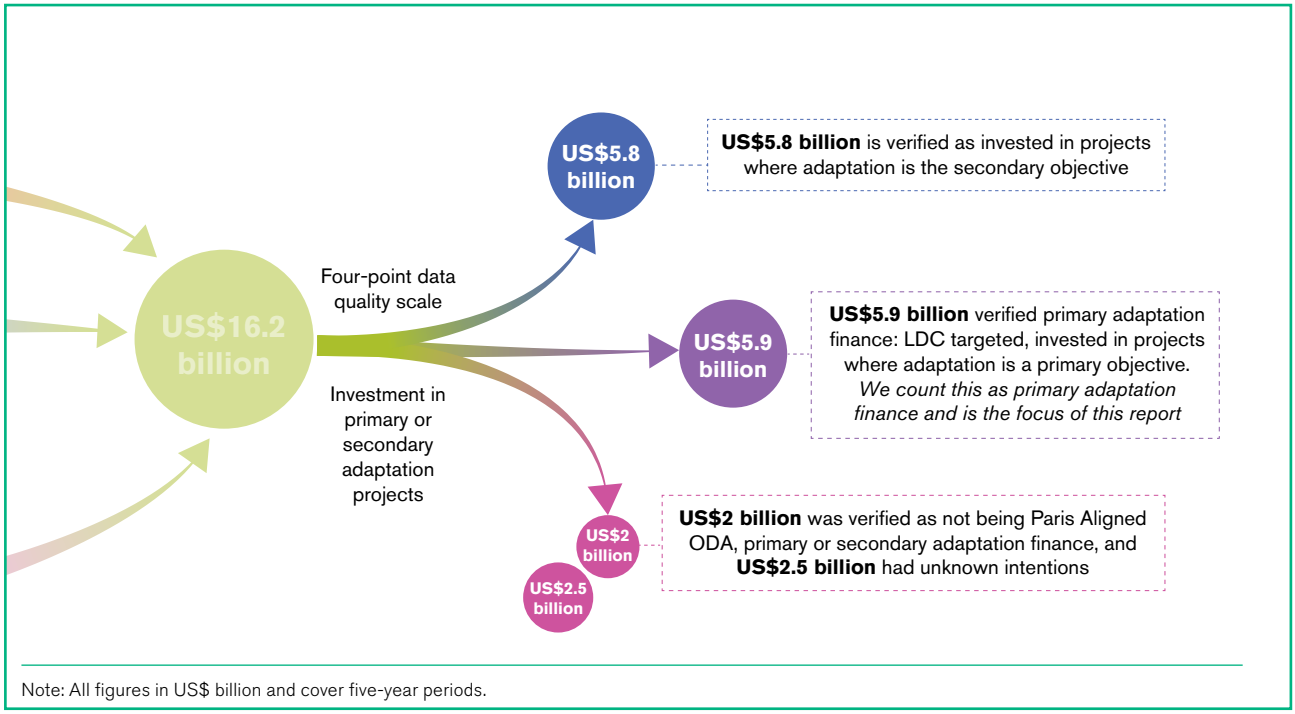
4 = detailed project documents.

We then applied our adaptation codes to reduce inclusion error due to the diversity in contributor coding practices and to recognise international climate adaptation finance projects and programmes where their primary goal is adaptation (see Box 2). This is not to say adaptation mainstreaming into development practice is not important — it plays a crucial function in supporting climate resilient societies, economies and ecosystems — but there is growing evidence of needing more transformational adaptation approaches that address structural causes of vulnerabilities and develop alternative approaches for preparing for current and future climate risks. This provides us with verified primary adaptation finance of US$5.9 billion,[52] or an annual average of almost US$1.2 billion. This primary LDC adaptation finance is the amount we could verify was invested in projects with the primary objective of supporting climate change adaptation. As these projects begin with adaptation intentions, they are more likely to be able to deliver transformational adaptation

by considering how to prepare for future climate uncertainty and current climate risks, address structural vulnerabilities and protect and restore vital ecosystems, and investigating how these innovations can be scaled-up and influence wider investment flows. The remaining US$10.3 billion was verified as not invested in projects with adaptation as a primary goal:

- **US$5.8 billion in secondary adaptation finance:** Is the amount of contributor reported adaptation-related development finance we could verify was invested in projects with the secondary or tertiary objective of supporting climate change adaptation. Climate adaptation could still have been the primary objective within the projects' components, but as it was not the projects' main goal, its starting intentions are less likely to be how to adapt to climate change and more likely to be tackling current climate variability rather than preparing for future uncertain climate risks and addressing the structural causes of vulnerability.
- **US$2 billion is not Paris Aligned ODA or primary adaptation finance:** We found that US$2 billion out of our analysed sample was not Paris Aligned ODA, primary or secondary climate adaptation finance at all, as we could not identify adaptation as being any objective, and
- **US$2.5 billion is unknown:** We could not identify the role of US$2.5 billion within our sample with regards to climate adaptation, as the data was not sufficiently transparent.

Figure 4. Step 4 (final) in developing our LDC climate adaptation finance sample.



Note: All figures in US$ billion and cover five-year periods.

How does our final dataset stack up?

In the remainder of the report we dive more deeply into the US$5.9 billion adaptation finance LDCs received between 2014 and 2018 that we could verify was invested in projects with the primary objective of delivering climate adaptation. It is important to contextualise this flow of adaptation finance with respect to other adaptation and development finance flows, and to the extremely limited estimates of LDCs' financial needs for adaptation.

BOX 2. ADAPTATION CODING USED IN THIS ANALYSIS

The OECD Rio Markers for climate change adaptation set out three levels: principal, significant and not-targeted. To score principal or significant, the activity must intend "to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or helping reduce exposure to them. This encompasses a wide range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions. An activity is eligible for this climate change adaptation marker if the climate change adaptation objective is explicitly indicated in the activity documentation; and the activity contains specific measures targeting the definition…".[28]

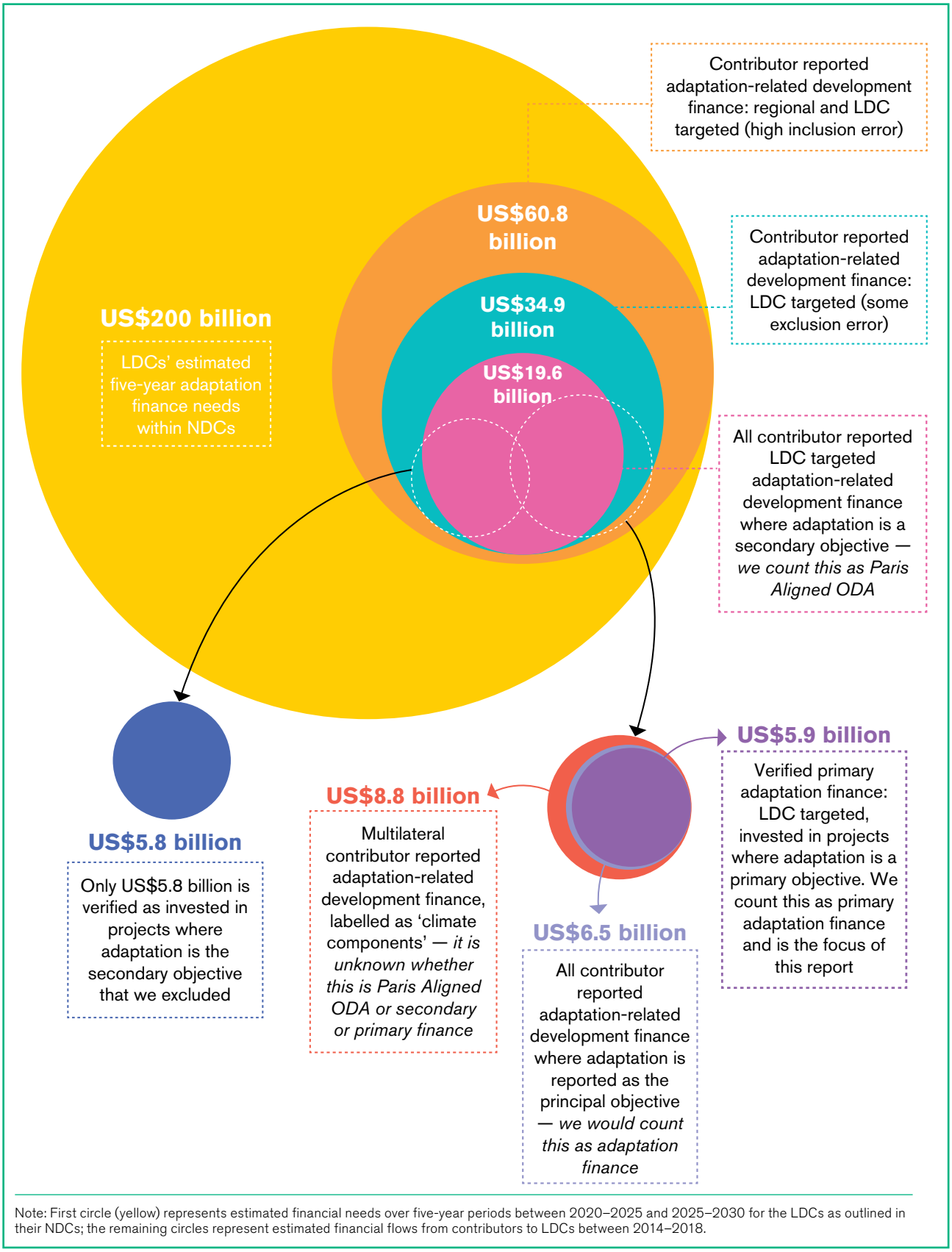
The **Joint MDB methodology for tracking climate change adaptation** does not use terms like 'principal' or 'significant'. Rather, it calculates a project's **climate components** — that is, the volume of a project's budget that directly delivers adaptation, based on specific project activities that contribute to overall climate change adaptation outcomes.[53] However, it often does not specify the project components that contribute to adaptation, but rather provides an adaptation finance figure in relation to the overall project budget, reducing the meaningful transparency of the method.

Our adaptation verification approach: When reviewing our US$16.2 billion adaptation-related development finance sample, we used our adaptation marker approach to review primary, secondary or 'not-targeted' adaptation ('not-adaptation'). This is because we also incorporated the MDBs' climate components, which are not reported in the same way as the OECD adaptation markers. We acknowledge that our approach is different from the theory of the Rio Markers. We verified adaptation finance (primary adaptation) if their associated projects' main objective (over 50%) was climate adaptation. We verified investments as secondary adaptation if their associated projects' aims were not climate adaptation-specific but climate adaptation was referred to as a small aim, or if there was evidence of climate adaptation tools or processes being deployed. While we recognise that some climate finance contributors and ODA donors report climate-related development finance based on the individual components or activities they determine to be climate-related, our coding was based on our assessment of entire projects or programme goals, objectives and intended outcomes. The rationale was that intentions and the potential for transformative change are very different where an entire or most of a project's objectives are to deliver adaptation, versus where they are the main objective of a component within a larger development focused investment.

Future adaptation verification: Our adaptation coding approach verified whether the main intentions of contributor supported projects focused on climate adaptation. This approach naturally includes inclusion and exclusion error due to biases on what should count as 'adaptation'. Future approaches could strengthen this by verifying where adaptation finance seeks to (1) identify, (2) innovate with adaptation solutions, and/or (3) influence wider financial flows to deliver adaptation co-benefits, by (a) preparing for future uncertain climate risks, (b) responding and preparing to current climate risks, (c) addressing the root causes of climate vulnerabilities, and (d) seeking to restore and/or protect natural ecosystems essential for climate resilience.

Sources: OECD (nd),[28] African Development Bank et al. (2020),[53] Hattie et al. (2021),[54] Carty et al. (2020)[55]

Figure 5. Estimated LDCs' adaptation financing needs versus estimated adaptation-related development finance and climate adaptation finance flows over a five-year period.



Note: First circle (yellow) represents estimated financial needs over five-year periods between 2020–2025 and 2025–2030 for the LDCs as outlined in their NDCs; the remaining circles represent estimated financial flows from contributors to LDCs between 2014–2018.

LDCs may have received only US$5.9 billion in primary adaptation finance between 2014 and 2018. If we consider all LDC targeted adaptation-related development finance, LDC adaptation finance flows between 2014-2018 could be as high as US$34.9 billion. However, the amount we verified as invested in projects where adaptation is the main objective is much lower at US$5.9 billion. This means less than 20% of the adaptation finance received by LDCs is invested in the projects most likely to deliver transformative adaptation. CARE and Oxfam report that bilaterals and multilaterals significantly over-report adaptation-related development finance by 30–60%.[53,54] In an earlier brief, we set out our own calculations, which suggest that contributors over-report by almost a half (47%).[56]

LDC adaptation finance flows are small compared to other financial flows. ODA flows to LDCs from OECD countries was at US$45.9 billion in 2018 (a fall in real terms versus 2011), foreign direct investment was at US$24 billion in 2018[21] (also lower than previous years) and other official flows, which do not meet ODA requirements on concessionality, were roughly US$12 billion in 2018.[21] Although climate-related LDC development finance could be reported under ODA and other official flows, it shows that our lower-bound estimate of US$5.9 billion between 2014 and 2018 (less than US$1.2 billion per year on average) represents a small proportion of the total finance LDCs receive that could support adaptation outcomes if it were Paris Aligned.

If all external investment into LDCs were Paris Aligned, it would meet the early estimates of LDC adaptation financing needs, but verified primary adaptation finance is well behind. Early, very rough estimates put collective LDC adaptation finance needs at US$40 billion per year for 2020–2030.[3] If all ODA, foreign direct investment and other official flows were aligned to the Paris Agreement and delivered some climate adaptation outcomes, collectively they could meet LDCs' estimated needs for adaptation finance, albeit leaving their ambitions to mitigate greenhouse gas emissions underfunded. However, if our estimate of US$5.9 billion adaptation finance flowing to LDCs for primary adaptation projects between 2014-2018 continues to be the trend between 2020-2025, it would mean less than 3% of LDCs' adaptation finance needs would be met by this potentially more transformative finance. Furthermore, this estimate of LDC adaptation finance needs was taken from their 2015 nationally determined contributions (NDCs), which have been largely a political statement to highlight their preparedness to act rather than a comprehensive summary of intended ambition for LDCs. As such, they do not accurately estimate financing needs and we can expect their real adaptation finance needs to be significantly higher. This shows the importance of better understanding LDC adaptation finance needs — both where adaptation is the primary objective of projects, and where wider development objectives need to be climate positive — and for contributors to respond to these needs, rather than their own interests. With the growing recognition that there are limits to adaptation mainstreaming, and that more transformative and disruptive adaptation approaches need more attention, it may be necessary to differentiate better between adaptation finance invested in projects where adaptation is the primary objective, where adaptation is a secondary project objective, and Paris Aligned ODA.

Industrialised high-carbon nations are failing to meet LDC climate and sustainable development financing needs. The failure to adequately finance LDC adaptation needs is compounded by the failure to meet their ODA needs. In 2018, OECD DAC countries channelled only 0.09% of their gross national income to LDCs, well behind the 0.15% target they agreed within the UN programme of action for the LDCs for 2011–2020.[21] If development deficits grow, adaptation finance needs could be even higher over the next decade, and climate finance can only influence the development pathway if development finance needs are being met.

Other critical trends

Trends we observed that deserve deeper investigation include:

Verified primary adaptation finance is concentrated in a few LDCs. More than one-third (37%, US$2.2 billion) of the US$5.9 billion flowed to just four of the (then) 47 LDCs — Bangladesh, Uganda, Senegal and Ethiopia.

Most verified LDC primary adaptation finance is provided by MDBs — as loans, not grants. The MDBs provide almost 50% (US$2.9 billion) of all LDC verified primary adaptation finance, with the same trend observed at every level of our estimates of LDC adaptation finance for 2014–2018. Although we do not present the split by contributor, it comes overwhelmingly from the World Bank. As the MDBs provide the most adaptation finance, it is largely in the form of concessional loans rather than grants. Some of these loans may even be non-concessional due to LDCs' income statuses with the World Bank. This highlights the importance of bilateral adaptation finance — which is more likely to be deliverable as a grant — and the risks to LDC efforts to adapt should donors cut ODA budgets or fail to increase climate finance, given COVID-19-related domestic budget deficits.

Who might benefit from adaptation investments in LDCs?

Most multilateral and bilateral climate finance contributors use 'number of beneficiaries' as their main adaptation indicator.[16] But communities are highly diverse, and some groups have much greater agency to influence decisions than others. This section investigates the utility of tracking which local actors were intended to benefit from adaptation finance.

4

Assessing who is intended to benefit

In line with our whole-of-society definition of the local level (Box 1), we consider local beneficiaries to be any actor at subnational level and below, including public authorities and government, enterprise, civil society, community actors, households and individuals. We tracked where any of these local actors were noted as a beneficiary within activity descriptions or project or programme documents, paying particular attention to excluded groups, such as women, youth, disabled people and Indigenous Peoples.

The first challenge of this analysis was that we could not identify how much of any activity was associated with a particular intended beneficiary. Although this may have been technically feasible in some of the cases where detailed project documents were available (level 4 transparency), it would have required extensive analysis that was beyond the scope of this paper. Identifying exactly how much of the budget was intended to benefit a particular local actor would have been even more challenging, as this rarely aligned with overall budget lines.

We only present the analysis of results where different actors were clearly the primary intended beneficiaries. To do this, we developed the following code, along the same lines as our adaptation marker:

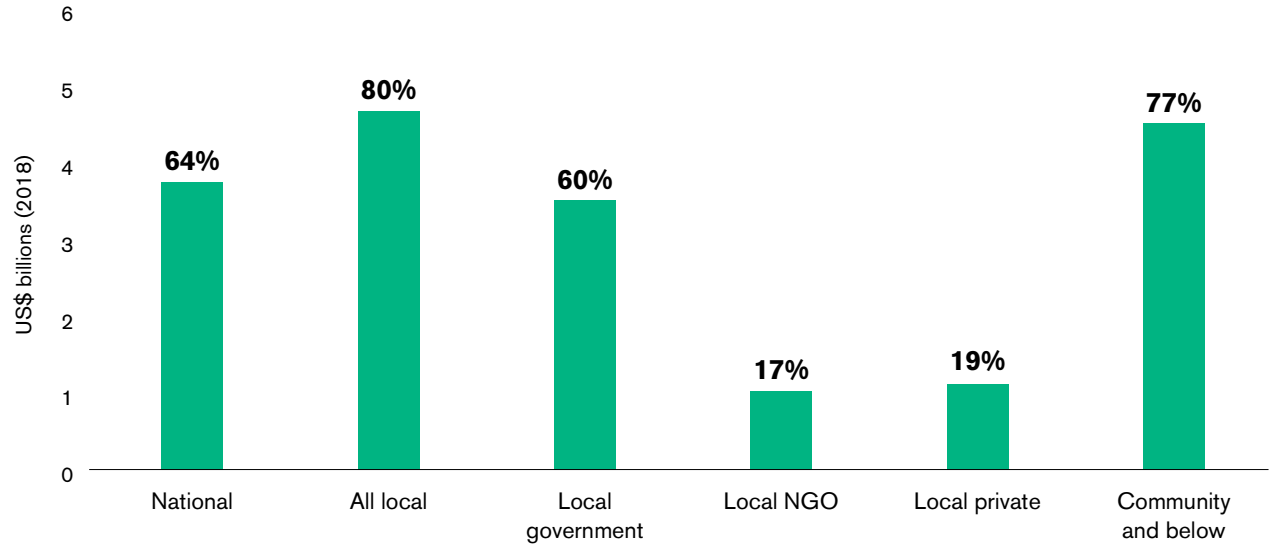
- Primary local: more than 50% of the intended benefits appeared to target subnational actors
- Secondary local: less than 50% of the intended benefits appeared to target subnational actors
- Local not-targeted: no intended benefits appeared to target subnational actors.

Our analysis of which local actors were intended to benefit are highly optimistic upper-level estimates, showing how much finance could be associated with a beneficiary, rather than how much was delivered to support a particular local actor within an LDC. As most interventions mentioned more than one actor and we could not proportion funding between them, the figures in this section add up to several multiples greater than 100%.

How local are those intended to benefit?

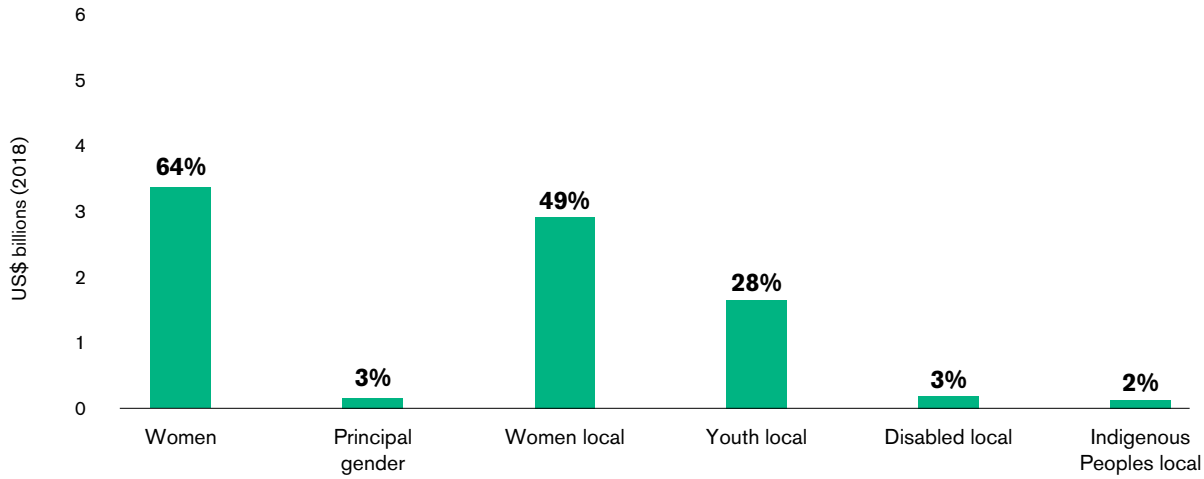
Verified primary adaption finance flowing to LDCs overwhelmingly intends to target local actors as beneficiaries, particularly at community level and below. More than US$4.7 billion of the US$5.9 billion — that is, almost 80% of investments — intend to benefit local actors, with over 50% of their interventions' budgets linked to intended local benefits.

Figure 6. Local actors targeted by verified LDC adaptation finance (2014–2018).



Note: Apart from national stakeholders, data displayed are where over 50% of the benefits were intended to target local level stakeholders, but percentages are compared against our overall US$5.9 billion verified adaptation sample.

Figure 7. Excluded groups targeted by verified LDC adaptation finance (2014–2018).



Community actors were the most targeted beneficiary across all national and local categories, at 77% (US$4.6 billion). National actors are the next most intended to benefit, at 64% (US$3.8 billion) of verified LDC adaptation finance. This could indicate that investments are highly vertically integrated, but we could not assess whether this was investing in the enabling environment for local action or if authority over decisions remained at national level. Local government authorities are the third most targeted group, at 60% (US$3.55 billion). This aligns with the United Nations Environment Programme's (UNEP) Adaptation Gap Report's (AGR) finding that just under 70% of multilateral climate funds across all developing countries between 2015 and 2020 was targeted at local government, although their figures for local communities and households targeted is lower, at around 50%.[57] This suggests that community (and household) targeting within LDCs may be much higher than in other developing countries, although our dataset is not directly comparable. When investigating which actors are supported in adaptation action in the scientific literature across developing countries, the AGR found that household targeting was over 80%.[57]

Non-state organisations appear to be less of a focus for climate finance contributors, with local NGOs associated at US$1 billion (17%) and local private sector at US$1.1 billion (19%) of verified LDC adaptation finance. This reflects the AGR finding that less than 10% of multilateral climate fund targeting across developing countries since 2015 was targeted at non-state organisations.[57] This finding indicates that greater focus would usefully be placed on financing climate adaptation for and by local civil society and enterprise within LDCs to support a fuller breadth of whole-of-society adaptation solutions.

Less than 3% of verified LDC primary adaptation finance intends to primarily support gender equality, despite the disproportionate climate risks women and girls face. Women beneficiaries are mentioned in 57% (US$3.37 billion) of the US$5.9 billion verified LDC adaptation finance. For verified primary adaptation finance that seeks to mostly deliver local benefits, this falls to 49% (US$2.9 billion). However, reviewing and updating the Rio Marker gender equality codes, we identified that less than 3% (US$158 million) of the US$5.9 billion is coded as having a primary objective of addressing gender equality (Box 3). Roughly half is reported to address gender equality as a secondary objective, suggesting gender is an important objective, but not a core focus. Given that women and young girls are disproportionately impacted by climate change, 3% is incredibly low for interventions that address gender equality as their primary objective.

We expected this figure to be significantly higher, as transformational adaptation will require structural exclusion — including historical marginalisation from decision making — to be addressed.[6,15] The AGR also finds that only 6% of multilateral climate fund investments have gender as a primary objective, despite the UNFCCC climate funds' gender policies and clear mandates to support women's climate resilience.[57]

The US$3.4 billion reporting gender as a secondary objective is likely to be an overstatement of intention. Experience shows that, for climate funds, integrating gender has meant disaggregating results by sex, rather than designing adaptation interventions to tackle how historical gender discrimination and roles shape agency,[58] and therefore the adaptive capacity of both women and men.[59] It is crucial that gender extends beyond simply reporting; tools used to identify adaptation options — such as vulnerability

assessments — are commonly blind to both gender and generation, and therefore run the risk of not only failing to address gender inequalities, but also exacerbating gendered vulnerabilities.[38]

Young men and women were targeted with 28% (US$1.7 billion) of verified primary adaptation finance that sought to deliver over 50% local benefits. However, we did not disaggregate the youth category by gender, so this figure may miss important variances in targeting particularly vulnerable groups and indicators of how intersectionality is being addressed in adaptation targeting.

BOX 3. GENDER EQUALITY MARKERS

The OECD DAC gender equality policy marker tracks aid in support of gender equality and women's rights. DAC members are required to indicate whether each project or programme targets gender equality as a policy objective using a three-tiered system:

Principal: Gender equality is the project or programme's main objective and is fundamental to its design and expected results. The project or programme would not have been undertaken without this gender equality objective.

Significant: Gender equality is an important and deliberative objective but not the principal reason for undertaking the project or programme.

Non-targeted: The project or programme has been screened against the marker and has not been found to target gender equality.

The OECD's guidance also states that a gender analysis and 'do no harm' approach are necessary for all aid activities to ensure at minimum that projects or programmes do not perpetuate or exacerbate gender inequalities.

As with adaptation, we reviewed the gender tagging of the entries, noting whether we believed gender was a primary, secondary or not an objective of the adaptation finance.

Source: OECD (2016)[54,60]

Disabled people and Indigenous Peoples are targeted with a little over 3% and 2% of local adaptation finance benefits, respectively (US$189 million and US$126 million of the US$5.9 billion). Despite being routinely noted as particularly at-risk groups,[14] both continue to be highly marginalised in the targeting of adaptation finance. This means that adaptation finance is failing to acknowledge and unlock the wealth of Indigenous Peoples' adaptation knowledge — which is recognised as crucial for effective adaptation solutions[14] — indicating that their potential to provide solutions remains undervalued.

Why track local beneficiaries?

Despite the data challenge of being unable to disaggregate adaptation finance budgets to beneficiaries, analysing the intended beneficiaries of verified LDC primary adaptation finance appears to help inform us that, in line with climate finance contributors' beliefs, the local level as a whole is well targeted. Most adaptation benefits are intended to accumulate at subnational level, particularly at community, household and individual levels and with local government.

However, it also shows that certain local actors — including non-state local actors and excluded groups — are intended to receive fewer adaptation benefits. Importantly, this reinforces that we should not consider the local level heterogeneously as a good indicator for adaptation progress. Rather, we need to disaggregate it to represent the different hierarchies and societal types of local actors.

Poor primary adaptation support for primary gender projects and poor targeting of disabled people and Indigenous Peoples are particularly striking. To deliver transformative outcomes, adaptation finance must be socially transformative, particularly when it principally seeks to address climate risks.[26] This includes disrupting power dynamics and addressing structural issues faced by those who have historically been excluded from decision making, resources, land and rights. However, if adaptation finance is not primarily targeting these excluded groups, it is hard to see how it can be contributing enough to the disruptive and transformative changes required within society to build the climate resilience we require to thrive under the new normal. But to better understand how adaptation finance targets excluded groups within LDCs, we may require data to be disaggregated by a combination of age, sex, race and religion to better understand the intersectionality.

Finally, it is important to recognise that intended or reported beneficiaries are poor indicators of the level of local leadership in adaptation finance, as they could be passive — rather than active — stakeholders. There is also growing literature suggesting that some adaptation projects over-estimate their intended beneficiary numbers.[11,12]

Local agency over adaptation finance in LDCs

This section seeks to better understand the feasibility and usefulness of analysis beyond tracking which local actors are intended to benefit to consider which local actors have what level of agency over the adaptation programming process.

5

Measuring local agency over adaptation decision making

Strengthening the agency of local actors is a crucial part of building adaptive capacity, as recognised by both the Global Goal on Adaptation[15] and the Principles for Locally Led Adaptation.[2] To promote adaptation that goes beyond one-off or intermittent consultations and is genuinely locally led, local actors must have the authority to make decisions on the use of adaptation finance, including designing, implementing, monitoring and evaluating adaptation interventions.

To track how much agency local actors had over the adaptation process, rather than simply intentions to deliver local adaptation benefits, we applied two concepts to the US$5.9 billion in verified primary LDC adaptation finance flows:

- **Which local actors had a role in decisions?** We attempted to track which local actors — government, NGOs, private sector actors, communities (including households and individuals), particularly excluded groups — had a role in the adaptation process beyond being passive beneficiaries. This included, but was not limited to, being engaged in prioritising, designing, implementing, monitoring and evaluating adaptation action.
- **What level of authority did they have over decisions?** To track local actors' level of authority in these adaptation decisions, we applied a five-level local adaptation spectrum, ranging from no to very high localisation (Box 4). Importantly, this spectrum does not infer good or bad adaptation, as localised decisions are not always the most appropriate level. Rather, its purpose is to better track the characteristics of the adaptation process.

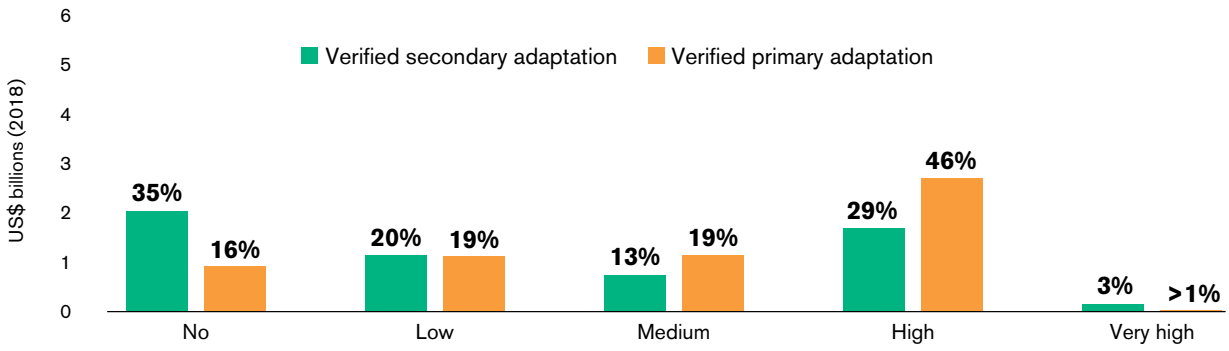
BOX 4. LOCAL ADAPTATION SPECTRUM

Our local adaptation spectrum is a draft tool designed to investigate how to better capture local agency across the adaptation process. It is a composite index incorporating different citizen engagement indicators. The spectrum is composed of five levels. 'No localisation' does not necessarily mean the adaptation is bad or maladaptive, nor does 'very high localisation' mean the process is always good and transformative. This localisation spectrum is slightly different from the one presented as part of the Principles for Locally Led Adaptation,[2] as we have iteratively strengthened it over the course of engagement with adaptation stakeholders.

- **No localisation:** no evidence of consultation with local actors
- **Low localisation:** evidence that adaptation was designed in consultation with local actors
- **Medium localisation:** evidence that adaptation was a highly participatory process
- **High localisation:** evidence that local actors have agency over some of the project components to be implemented
- **Very high localisation:** evidence that local actors led adaptation design and sought support from contributors.

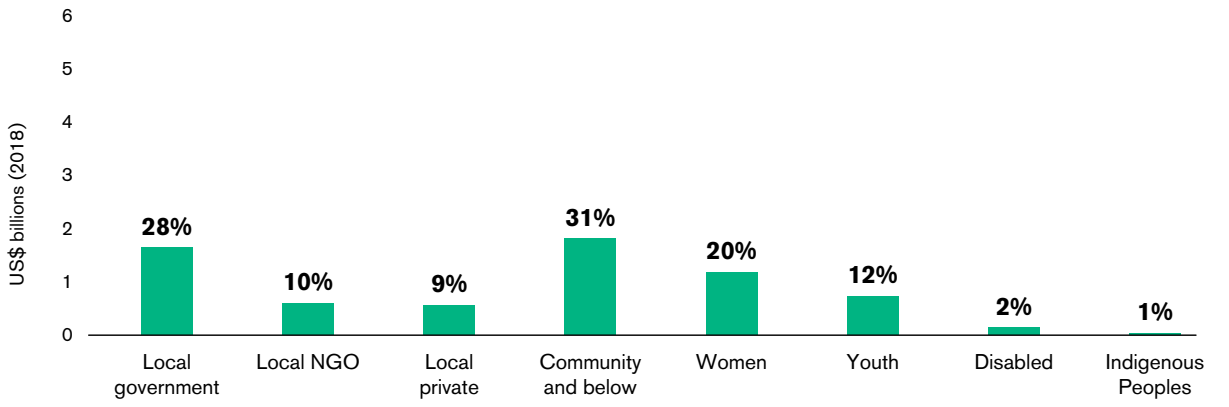
Local agency over adaptation decisions

Figure 8. Localisation of verified LDC primary adaptation finance and verified LDC secondary adaptation finance (2014–2018).



Note: The figure includes US$5.9 billion in verified LDC primary adaptation finance and US$5.8 billion in verified LDC secondary adaptation finance. It does not include the additional US$19.6 billion of reported LDC significant adaptation-related finance reported to the OECD DAC.

Figure 9. Local actors who are intended to have some level of agency over decisions in highly localised verified LDC primary adaptation finance (2014–2018).



Almost half (46% or US$2.7 billion) of the verified LDC primary adaptation finance shows characteristics of high localisation — that is, there is evidence that local actors are intended to have agency over some of the adaptation components to be implemented. This is the highest total allocation of all the localisation levels. We also found that both low and medium localisation was around 19% (US$1.1 billion), while almost 16% (US$922 million) shows no localisation. This indicates that most verified primary adaptation finance intends to involve local actors beyond simply being beneficiaries, and roughly half is associated with having the intention for local actors to play leading roles in the adaptation process.

In comparison, a negligible amount (>1% or US$24 million) shows characteristics of very high localisation — that is, there is evidence that local actors led adaptation design and sought support from contributors. This indicates that there were few clear-cut cases where local actors were in charge of leading the adaptation process.

As with the analysis of intended beneficiaries, community and local government actors appear to be the intended decision makers in interventions with high localisation. We identified local governments as the intended decision makers within 28% of high-localisation interventions (US$1.64 billion) and community-level actors and below in 31% (US$1.8 billion). This is roughly half of the finance associated with local government and community beneficiaries, respectively, indicating — at the very least — that a substantial proportion of verified LDC primary adaptation finance is failing to outline how it intends to engage local actors.

Local non-state actors continue to be excluded from adaptation decision-making roles in LDCs. Reflecting the analysis of who is intended to benefit, local NGOs and private sector organisations play decision-making roles in less than 10% of the US$5.9 billion verified adaptation finance. Again, this indicates an inequitable distribution in agency across societies in the adaptation process.

Social groups facing structural exclusion — including women, youth, disabled people and Indigenous Peoples — are even more marginalised from playing leading roles in the adaptation process. Of the verified LDC primary adaptation finance, only 20% (US$1.2 billion) specifies intentions of giving women some level of engagement in decisions. This is much lower than the 'significant gender' adaptation reported under local beneficiary results (Section 4), reinforcing the experience noted above that OECD DAC contributors are over-reporting gender equity as an important focus of most primary LDC adaptation finance. Young and disabled people and Indigenous Peoples are represented even less in each of the localisation categories compared to their intended beneficiary levels (Figure 9). At this stage, our approach could not disaggregate between excluded individuals and organisations led by excluded people. This is an important distinction to capture in future analysis to reduce the risk of over-reporting how much agency excluded people have. Like adaptation beneficiaries, we did not disaggregate the gendered results by age (or vice versa), so deeper analysis on incorporating intersectionality in adaptation decision making is needed.

Verified secondary LDC adaptation finance displays lower localisation characteristics. As part of our analysis, we investigated the localisation of the US$5.8 billion we identified as secondary adaptation finance within our US$16.2 billion sample, bearing in mind that there is additional US$19.6 billion reported to the OECD DAC as "significant" adaptation finance, that may be similar to what we define as secondary adaptation finance between 2014 and 2018.[61] As identified above, about 46% (US$2.7 billion) of the US$5.9 billion verified primary adaptation finance shows high localisation and more than 16% (US$922 million) displays no localisation characteristics. However, when reviewing the US$5.8 billion in secondary adaptation finance, just under 35% (US$2 billion) displayed no localisation characteristics and only 29% (US$1.7 billion) displayed high localisation. This indicates that, where adaptation is the verified primary goal of a project, it is more likely to exhibit greater intentions for local actors to have agency in adaptation decision making. We did not analyse localisation levels for the US$19.6 billion (of the US$22.8 billion) reported as significant adaptation-related development finance where adaptation was clearly a lower-level objective. But if this trend in reduced localisation continues, the levels of intended agency to local actors could be still lower. This would align with concerns that climate mainstreaming has limited success in delivering socially transformative adaptation, which requires disrupting existing norms and power dynamics.[6] This is, however, beyond the scope of this paper, but might be worth further investigation.

Why track localisation?

Almost 80% of the US$5.9 billion of verified primary adaptation finance flowing to LDCs between 2014 and 2018 intends to ensure benefits reach local actors, and roughly half (46%) is associated with intentions to give local actors leading roles in the adaptation process. As expected, much more verified LDC primary adaptation finance reaches the local level than our previous findings of less than 10% across the US$19.6 billion sample of all types of mitigation and adaptation climate finance from global climate funds spread across all recipient countries.[62]

High localisation is more common in our US$5.9 billion verified primary adaptation finance sample compared to the US$5.8 billion in verified secondary adaptation finance with adaptation co-benefits. With the following caveats, this indicates that, where adaptation is the primary objective of projects, the local level is a much greater focus in both intended benefits and intended roles.

As with the results for intended beneficiaries from adaptation interventions (Section 4), we find that decision-making roles in the adaptation process appear to be mostly associated with local government, community, household and individual actors. Non-state actors and groups facing structural exclusion — including women, young and disabled people, and Indigenous Peoples — are less commonly intended to have leading roles in adaptation. This reaffirms the importance of disaggregating the local level to achieve progress in whole-of-society adaptation responses and address structural inequalities by placing more agency and resources into the hands of those who have been historically excluded from decision making.

Limitations of our framework

In tracking the intended beneficiaries and the agency they might have over the adaptation process, we faced the **data challenge** of being unable to disaggregate how much of an activity, project or programme budget was associated with a particular localisation level based on current contributor reporting. We therefore coded activities, projects or programmes as the highest localisation level for which there was evidence. As a result, all our localisation estimates are optimistic upper-end figures.

By exploring the consequences of this, we found that only three World Bank-funded programmes that were coded as high localisation exhibited significant influence over our results. These programmes represent around 15% of the US$5.9 verified LDC primary adaptation finance. Although they are not collectively representative of the whole US$5.9 billion flow, given their influence, we took a deeper look at them to consider the practicalities of retrospectively applying our localisation tracking methodology to contributor project documentation.

These three verified LDC primary adaptation projects (summarised fully in Annex I) that our methodology indicates exhibit high localisation characteristics are:

- The **Earthquake Housing Reconstruction Project in Nepal**, totalling US$453 million in adaptation finance to support the reconstruction and rebuilding of homes destroyed or damaged during the infamous 2015 earthquake
- The **Multipurpose Disaster Shelter Project in Bangladesh**, totalling US$348.2 million in adaptation finance to support large-scale disaster risk mitigation infrastructure by strengthening emergency preparedness to reduce vulnerability to cyclones, and
- The **Shire Valley Transformation Project in Malawi**, totalling US$99 million in adaptation finance, aiming to increase agricultural productivity and commercialisation in targeted households and improve sustainable management of natural resources in the Shire Valley.

By delving deeper and considering the variance in focus of these programmes' financial and project decisions, we identified several challenges that limit the practicality and meaningfulness of our local agency tracking.

Only one demonstrates clear primary intentions for climate adaptation. Although we initially verified that all three World Bank projects had primary adaptation aims, only the Bangladesh Multipurpose Disaster Shelter Project appears to begin with the intentions of responding to current climate risk and vulnerabilities. Both the Earthquake Housing Reconstruction Project in Nepal and the Malawi Shire Valley Transformation Project appear to not begin with the main intentions of investigating and innovating in climate adaptation. There are also concerns over adaptation finance over-reporting by the Nepal World Bank project, as it begins with the intentions of responding to earthquake, not climate risks.[54] Improvements are needed in our own adaptation coding approach, to capture where projects are beginning with adaptation intentions (innovating and investigating) or seeking to influence wider development investments to:

1. Prepare for future uncertain climate risks,
2. Respond or prepare for current climate risks,
3. Address root causes of climate vulnerabilities, and/or
4. Protect and restore natural ecosystems essential for climate resilience.

There is little evidence of how meaningfully local actors were engaged in overall programme design. Almost all the evidence we found on localisation was on target 'beneficiaries' and planned implementation of programme components. There was little evidence of how local actors — including target 'beneficiaries' — had already been involved in framing, prioritising or designing the programme, the projects or their components. This was not only evident in the three World Bank-financed case studies. Rather, it was a consistent trend in all our coding justifications across localisation levels. Under 'high localisation', we found no examples of local actors leading the initial project or programme design. In most cases, justifications centred around them being given future implementation roles within components, receiving capacity building or being able to participate in local planning and decision-making bodies formed as part of the project.

This is not to say that the three case studies we reviewed are poor adaptation programmes. However, evidence suggests that failing to incorporate local views at the start of adaptation planning can lead to a likelihood of top-down technical adaptation solutions. These technocratic choices can in some cases increase the climate risks faced by local and vulnerable people — for example, hard infrastructure solutions can lock-in vulnerability to possible climate futures and reduce flexibility in responding to climate uncertainty if they fail to incorporate local people's views. When they support collaborative governance arrangements that facilitate collective problem solving, locally led adaptation solutions can be more flexible, inclusive and appropriate for the local context.[6]

There was little evidence of devolved discretionary funding. Both the Nepalese earthquake project and the Bangladeshi shelter project showcase examples where adaptation finance spending is likely high at the local level, as this is where implementation is taking place. But in both cases, households and communities appear to receive little discretionary funding. Only the Shire Valley project in Malawi provides evidence of discretionary funding being provided to non-state local actors, via a small granting scheme.

It was rarely possible to identify how much of a project's total budget — and primary adaptation finance in particular — was localised. There were only a few instances where we could associate specific component or subproject budgets with a level of localisation. For example, in the Shire Valley project in Malawi, we identified a community small grants scheme equating to 12% of the overall project budget. However, this may not have all been adaptation finance. We could not identify how much adaptation finance was specifically localised in any of the case studies, as the World Bank does not specify how much of a component's budget is adaptation finance.

Although we only reviewed the three largest programmes in our sample in detail, our findings resonate with those of a recent detailed review of four UK-funded LDC adaptation projects.[18] Reviewing the Enhancing Resilience in Karamoja Programme (Uganda), the Blue Forest Programme (Madagascar), the Climate High-level Investment Programme in Ethiopia and the Building Resilience Against Climate Extremes and Disasters (BRACED) Programme against the principles of the Global Goal on Adaptation, they could not determine intended subsidiarity in any of the cases.[18]

Poor contributor transparency and project reporting linked to OECD DAC affects our complete picture of localisation, including missing good examples. We know first-hand that some of the programmes reviewed[18] — such as BRACED — have devolved adaptation decision making to local actors. However, poor contributor reporting and transparency meant we could not identify subsidiarity of decision making or the views of beneficiaries. Poor contributor reporting and transparency — particularly in the way OECD DAC reporting links to contributors' and contributors' programme information — has similarly impacted our ability to assess contributor performance on localisation in this paper. For example, we know first-hand that Irish Aid supports a range of strong local and community-based adaptation initiatives but could not find enough programme documentation linked to their OECD DAC climate finance reporting and were therefore unable to identify them.

Going forward, it will be important to review the range of smaller projects that may have displayed greater indicative localisation characteristics across more of their programme budgets. We identified a range of examples where funding decisions were to be devolved to local actors — including via national climate funds — through decentralised planning and community-driven development. One such example is UK and USAID funding for Nepal's Local Adaptation Plans of Action, which supports the establishment and capitalisation of devolved climate funds. Reviewing good practice case studies of locally led adaptation across LDCs and other vulnerable countries will be the focus of our future analysis.

Lessons for climate finance reporting

Poor levels of contributor transparency and limited expression of intentions in investment documentation make tracking climate finance to the local level a challenge. This section sets out the key characteristics we identified for tracking who benefits and how much agency climate finance gives to local actors.

6

We can confidently say more adaptation finance is flowing from the international to local LDC levels than we had previously estimated for multilateral climate fund support for both mitigation and adaptation across all developing countries.[62] However, this is likely to not be representative of all adaptation finance flowing to LDCs. When comparing our verified primary adaptation finance dataset with our verified secondary adaptation finance, the latter appears to be more top-down. We can also confidently say that women, disabled people and Indigenous Peoples remain under-represented in expected adaptation benefits and, more starkly, in leading adaptation decision making. This is in the context of extremely low overall verified primary adaptation flows, at less than 3% of LDCs' (likely underestimated) total annual adaptation financing for 2020-2030 (Figure 1).[3]

Our estimates of how much verified LDC primary adaptation finance intends to benefit and provide agency to local actors remain upper-level ones. With current contributor reporting approaches, it is impossible to accurately and meaningfully determine how much climate finance is in the hands of local actors and how much merely provides services to passive 'beneficiaries'. Most climate finance reporting is not transparent enough to enable robust assessments.[56] Even for those providing the highest transparency, it is incredibly difficult to determine how much climate finance reaches and is programmed at the local level, by local actors within current reporting formats. This presents major challenges to initiatives such as LIFE-AR, which needs to track climate finance to measure progress on the ground towards its goal of ensuring 70% of climate finance reaches the local level.

However, by undertaking this in-depth attempt to track climate finance to the local level, we have unpacked many useful characteristics of adaptation localisation. These may be useful for international climate finance contributors and their intermediaries to consider as they seek to strengthen climate finance reporting in line with the transparency objectives of the Paris Agreement's Global Goal on Adaptation, LIFE-AR and the growing support for locally led adaptation.

Characteristics of adaptation localisation

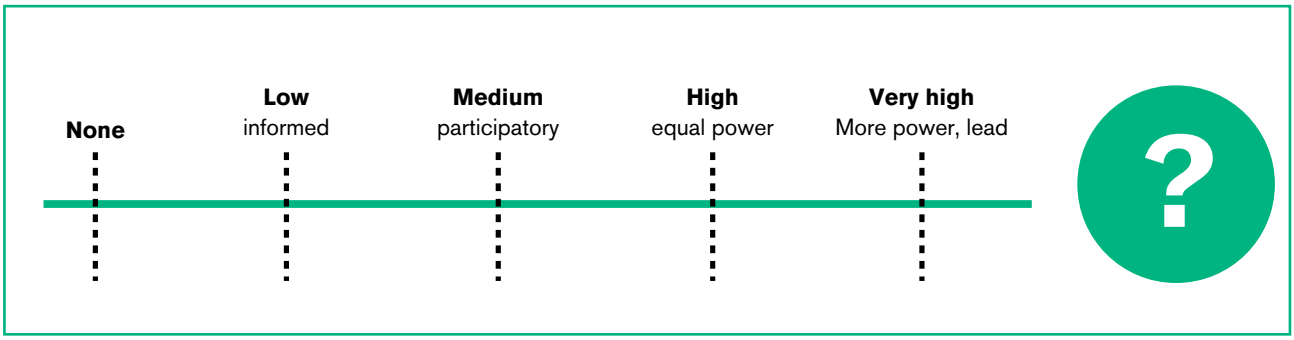
We have identified four questions to consider when developing a meaningful framework for tracking climate finance to the local level. Of course, there may be more, and they may need to be simplified for practical application. It is also important to further develop and agree on these questions in collaboration with local actors to ensure they represent the characteristics of locally led adaptation that are important to them and use terminology that makes sense to actors from local to international.

1. **Which actors does the programme intend to engage?** We took a step forward in local adaptation finance tracking by recognising, albeit partially, the heterogeneity of local actors, attempting to track finance across local government, NGOs, private sector organisations, communities, households and the range of social categories within these groups. However, as we undertook the analysis, we became aware that even this categorisation may not be enough. To better recognise the heterogeneity of local actors, and their collective versus individual agency, we can build on the literature of scholars like Uphoff[33] (see Figure 10) and disaggregate local organisations from individuals and households. As these may represent the largest category of intended beneficiaries in our analysis, removing them from 'local' would change our results substantially. Further disaggregation is also required to better capture the characteristics of intersectionality in adaptation targeting and agency over decision making, including age, gender, sexual orientation, race and religion.

Figure 10. Tracking which actors adaptation projects intend to engage (adapted from Uphoff).[33]

2. **What level of agency will these actors have?** The different levels of agency we applied through the localisation spectrum (Box 4) were helpful for disaggregating local agency and recognising where local actors may effectively have less agency — a situation that may be justified in certain domains of adaptation action. On reflection, more careful consideration is needed to combine this composite index of citizen engagement processes, as there was not enough difference between our five localisation levels, especially between medium (strong participation), high (some evidence of agency) and very high localisation (fully led by local actors). Other modes of local participation also worth considering include observing, expressing preferences, deliberating, negotiating and deploying technical expertise. These limitations created conditions for subjective decision making and therefore unconscious bias. Further development of this localisation spectrum may consider further citizen engagement literature, such as Fung's democratic cube and Elstub and Escobar's typology of democratic innovations.[63]

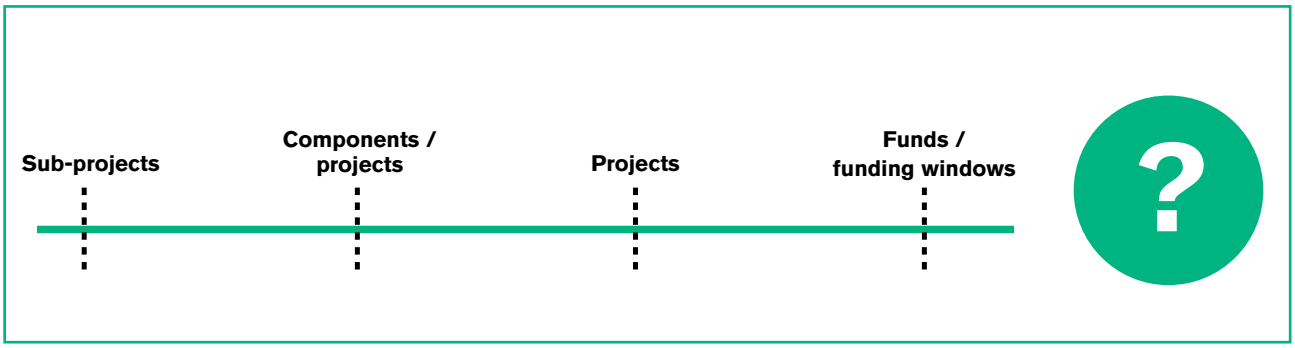
Figure 11. Tracking the level of agency actors will be given.



3. **What resources will these actors have authority over?** As we found in the case studies, localisation levels were mostly associated with subproject decisions, rather than overall design or implementation of an adaptation programme. However, our tracking approach was not designed to capture differences in scale of local agency. Project terminology is also unreliable and reports to the OECD DAC are inconsistent; some report entire projects while others report project components. It may therefore be necessary to try to capture which local actors played a role at which levels of programmatic decision making — from overall project to specific components and activities. If applying this domestically, it may be necessary to also include policies, legislation and laws.

Our low result for 'very high localisation' was because we found few examples of local actors being given financial control of adaptation processes. Devolved financing is an important aspect of locally led adaptation, but it is often poorly assessed. For example, one study simply equated local adaptation finance with the budget associated with local benefits.[27] But this is different from devolving funds to be controlled and decided on at the local level. In discussions for improving climate finance reporting, it may be useful to focus attention on capturing where funding is intended to be controlled by local actors. Further complexity over the types of adaptation project role is discussed below.

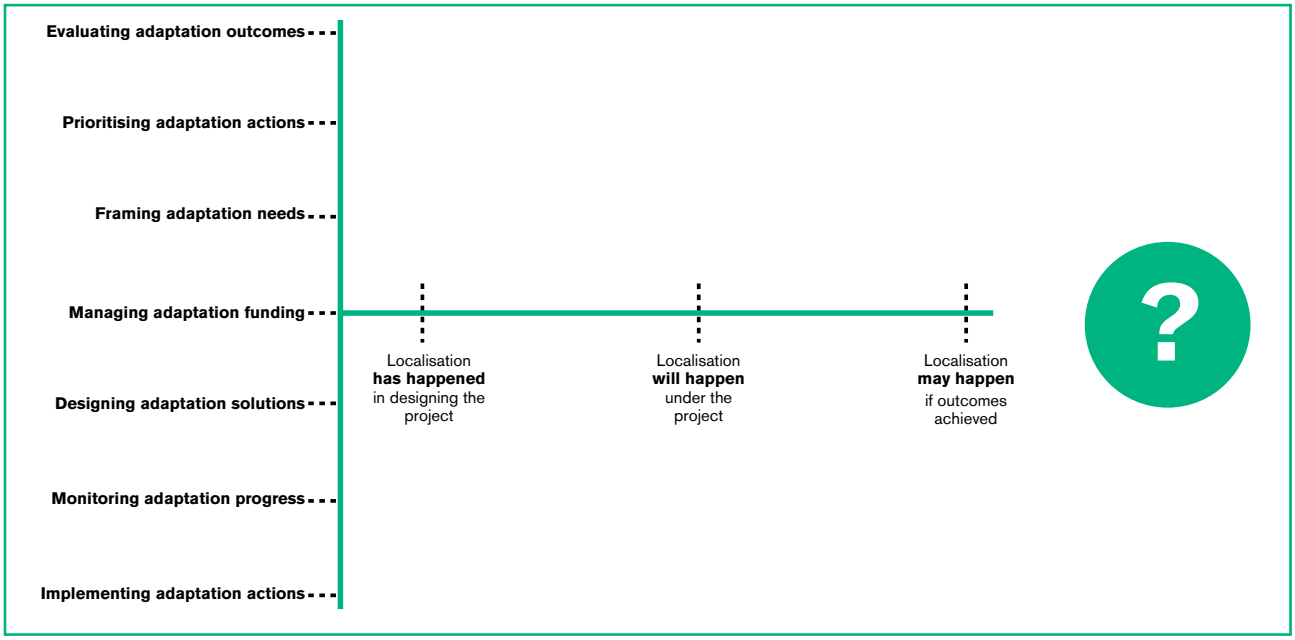
Figure 12. Tracking the resources actors will have authority over.



4. **At what stage of the investment cycle will these actors have influence or authority?** Almost all the evidence we collected to determine adaptation localisation was of **intention** to consult, engage or provide other roles to local actors. We found little evidence outlining how local actors had been involved in setting adaptation project objectives. Instead, much of the evidence led to subjective decisions — rather than focus on local actors' intended roles, it outlined possible outcomes that could lead to localisation if achieved, such as seeking to strengthen tenure rights, local capacity building and formulating local adaptation planning bodies. Although such local outcomes are important, they do not necessarily equate with locally led adaptation, as they may not be achieved and are subject to many assumptions and factors outside a project's control.

This gets even more complicated. There are many different types of decision in the adaptation process — from framing and setting priorities to designing, planning, implementing, monitoring and evaluating a project. Locally led adaptation requires local involvement in most of these roles. However, most of the evidence we collected was of local actors' roles in implementing — not necessarily setting objectives for — adaptation. The framing of adaptation is incredibly important, and if done purely by external actors, can lead to exclusion,[16] particularly of marginalised groups. We do not present a simple way of capturing all these adaptation roles, but future discussions on strengthening climate finance reporting may wish to consider which adaptation programming roles are most important to capture and which are important to help identify how much of a projects' budget is localised, rather than equate local actors' involvement in one role with others.

Figure 13. Tracking the stage of investment cycle actors will have influence or authority over.



Defining integrated subsidiarity of decision making

The concept of subsidiarity remains of central importance alongside optimising climate change adaptation co-governance processes through vertical and horizontal integration. We term this combination **integrated subsidiarity**, to move beyond subsidiarity's limited concentration on finding the perfect level of decision making.[13,39] This is where the complex system of public, private and civil society actors — with their varying interests, capacities, vulnerabilities and contributions — work together to find coherent adaptation responses, resolving trade-offs and maximising synergies at the most appropriate level to resolve different perspectives. The first step within an adaptation programme is therefore to determine the most appropriate combination of decision-making levels, their authority and how they interact and exchange information with one another. This is best determined through genuine early participation in identifying the climate risks and vulnerabilities that require an adaptation response, to work out where further adaptation planning, prioritisation and implementation should take place.[33]

Climate financiers could take a significant step forward in climate finance reporting by fully outlining how decisions will be made and at what levels. This would enable civil society monitoring and 360° feedback on whether it happened in this way and was appropriate.

Looking forward

This final section presents some practical next steps in efforts to strengthen climate finance and its tracking to the local level, reiterating that to be practical and meaningful, they must be carefully and collaboratively developed with national and local adaptation stakeholders, with representation from across the whole of society.

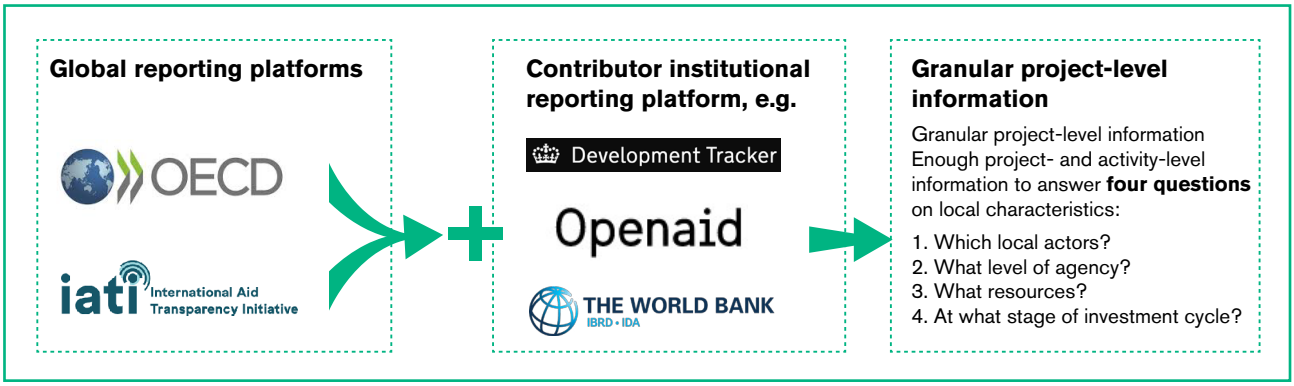
7

Over the course of 2021 and beyond, we aim to work collaboratively with climate vulnerable countries (particularly LDCs), local actors' representatives from across the whole of society and progressive bilateral and multilateral climate finance contributors to advance solutions and knowledge around the following three areas.

Radically strengthening global and institutional climate finance reporting: Urgent improvements are required to strengthen climate finance reporting and build trust in the climate finance system. This report shows that current reporting is inadequate for climate finance flows to understand progress on adaptation, let alone on flows to the local level.[64] To improve climate finance reporting overall and its flows to local-level contributors in particular, intermediaries and in-country partners need to strengthen global climate finance reporting systems, such as OECD DAC and IATI,[65] and their own institutional or country systems, such as the UK's Devtracker or the World Bank's projects and operations database (Figure 14). Global and institutional climate finance reporting systems contain different levels of information but work together to provide greater meaningful transparency over climate finance intentions and ideally information on what happened on the ground.

But can global and institutional reporting systems be adequately strengthened to provide the level of project and activity-level reporting required to develop a higher-resolution picture of climate finance flows? Incorporating some, all, or more of the type of characteristics we summarise in Figures 10–13 would help them better capture the heterogeneity of the local, and the different dimensions within which locally led adaptation can be realised. However, we reiterate that, to track local climate finance practically, meaningfully and in the spirit of initiatives like LIFE-AR and the Principles for Locally Led Adaptation, the framework must be further developed collaboratively with national and local adaptation representatives from across the whole of society. Ideally, efforts to improve climate finance reporting will place citizen-led review of climate finance at its centre, to enable independent verification of progress on adaptation.

Figure 14. Working together to track climate finance to the local level and build trust in the system.



A new and stronger climate finance definition, focused on how it will support transformational change: We report just US$5.9 billion verified from OECD DAC contributors as investing in primary adaptation projects between 2014 and 2018, representing less than 3% of current needs as estimated from LDCs' NDCs, which themselves are likely to be a significant underestimate. We recognise the remaining US$29 billion reported by contributors as targeting LDCs as invested in projects where adaptation is not the main objective. Reporting needs to capture where projects begin with adaptation intentions or seek to influence wider development investments to prepare for future uncertain climate risks, respond or prepare for current climate risks, address root causes of climate vulnerability, and protect or restore natural ecosystems. A stronger and more stringent definition of climate adaptation finance will help ensure it is separate from — and therefore additional to — ODA and foreign direct investment.

Filling knowledge gaps to better understand adaptation finance flows to LDCs: This report highlights the need for updated efforts to estimate LDC adaptation finance needs, including where investigating and innovating in adaptation needs to be the main goal, versus influencing wider development and private finance flows to deliver climate-resilient development. LDCs have summarised their current adaptation finance in their NDCs, but these were not designed for such detailed adaptation finance estimates. In response, it is important for climate finance contributors to distinguish between where adaptation finance is invested in projects where adaptation is the main goal, secondary objective and where it is Paris Aligned ODA.

Annex I. The three largest LDC adaptation finance programmes

Case study 1. Earthquake Housing Reconstruction Project, Nepal[66]

Funder:	World Bank
Implementing entity:	National Reconstruction Authority, Nepal
Adaptation finance:	US$453 million
Total project finance:	US$500 million
Project duration:	2015–2023

This project aims to support the reconstruction and rebuilding of homes destroyed or damaged during the infamous 2015 earthquake. Financed by the World Bank, the project committed US$500 million between 2015 and 2017. Of this, approximately US$453 million was reported as verified primary finance.[67] It is the largest single flow of verified adaptation finance to an LDC between 2014 and 2018.

As the project's primary beneficiaries were households affected by the 2015 earthquake, we tagged it as benefitting community actors and below. We coded it as 'high localisation' because affected households would receive small grants to construct their own houses, with technical assistance to support the disaster-proofing component, meaning beneficiary households were responsible for implementation on the ground.

On deeper reflection, most project design and financial management decisions are not located at the community or even subnational level. The project design appears to have been led by the Nepalese government via the National Planning Commission within the Ministry of Finance. There was little evidence in the project document to show if and how subnational actors were engaged, consulted or participated in the overall project concept. All financial management appears to reside within the project management unit established within the Ministry of Finance. Although implementation was to be passed down to central line ministries' district-level offices, no financial management responsibilities were to be carried out by district-level implementation units. So, although we correctly coded the project as 'high localisation' due to households receiving finance to undertake owner-driven housing reconstruction, this appears – based on the evidence available – to have been after programmatic decisions were made without local involvement.

A deeper dive into this Earthquake Housing Reconstruction Project uncovered further challenges. First, US$459 million of a total US$500 million project budget committed by the World Bank was reported to the OECD DAC as adaptation-related development finance. However, more detailed analysis estimates that only US$100 million was adaptation,[53] arguing that the project focuses overwhelmingly on earthquake-resilient reconstruction and therefore responds to a geohazard rather than a climate change hazard. This means that more than US$328 million may have been over-reported as adaptation finance.[54] This case highlights major challenges in accounting for primary adaptation finance versus secondary adaptation finance with adaptation co-benefits in our own coding approach.

Case study 2. Multipurpose Disaster Shelter Project, Bangladesh[68]

Funder:	World Bank
Implementing entity:	Local Government Engineering Department (LGED), Bangladesh
Adaptation finance:	US$348.2 million
Total project finance:	US$376.7 million
Project duration:	2015–2021

This large-scale disaster risk mitigation infrastructure project is funded by the World Bank via an International Development Association (IDA) loan and implemented by the LGED, a central government agency based in the capital, Dhaka. It is the second largest flow of verified adaptation finance to LDCs, at US$348.2 million of a US$376.7 million budget.

The project seeks to strengthen emergency preparedness to reduce vulnerability to climate change natural disasters, particularly cyclones. It aims to build 552 new and rehabilitate 450 existing cyclone shelters and connect them to roads and communication networks, increasing their accessibility and effectiveness to reduce future impacts from cyclones. The primary beneficiaries are rural communities and local government through capacity development. Therefore, the benefits will primarily accrue at subnational level.

We originally coded the project as 'high localisation', based on the local government role in leading the project implementation. On deeper investigation, however, we observed that project design and all major programme decisions — including procurement and financials — are held at national level within the LGED. International consultants are also to be brought in to support procurement decisions. We found no evidence on whether the project design undertook local engagement or consultations, although lessons were learned from a previous project that may have involved local input. The only intended devolution of decision making to local actors was on consulting on subproject design — that is, the individual shelters — with community members selecting which and where the shelters were to be built, under the supervision of LGED district office staff, by district-level contractors. It was also proposed that minor shelter rehabilitation and repairs would be undertaken by school management committees after project completion.

This project exhibits similar challenges to the Nepal case study. Local actors clearly have a role and are benefitting, but it only has 'high localisation' on limited subproject decisions on a pre-agreed set of cyclone shelters. Programmatic decisions are made at central government levels.

This is not to say this top-down decision making is wrong in this context, nor that this is a poor project. Cyclone shelters have been incredibly successful in reducing the impacts (including mortality) of cyclones in Bangladesh. It is also well known that the LGED has good local reach. But it does show the limitations of our localisation spectrum, as the programme's locally led components appear small compared to the US$348.2 million we verified as adaptation finance. It is also evidenced that top-down infrastructure-focused adaptation solutions in Bangladesh have in some cases increased the climate risks that local vulnerable people face from cyclones, storm surges, floods and sea-level rise, as they encourage people to remain in high-risk areas through a false sense of security.[6] Similarly, local solutions in isolation could entrench people's desires to stay in high-risk areas based on their place-based attachment, emphasising the need for effective co-governance of adaptation to better consider the various risks and knowledge that may breach people's and communities' coping capacities.

Case study 3: Shire Valley Transformation Project, Malawi[69]

Funder:	World Bank and African Development Bank
Implementing entity:	Ministry of Agriculture, Irrigation and Water Development, Malawi
Adaptation finance:	US$99 million
Total project finance:	US$234.6 million
Project duration:	2018–2023

Our final case study is a US$234.6 million project also supported by a World Bank IDA loan and a smaller source of funding from the African Development Bank. Of the overall budget, US$99 million was reported as adaptation finance, which we verified as adaptation finance.

The project, which aims to increase agricultural productivity and commercialisation in targeted households and improve sustainable management and natural resource use in the Shire Valley, is structured around three pillars:

- Providing reliable, professionally managed and sustainably financed irrigation services to a large number of irrigators and providing multiple services, including water supply
- Supporting farm organisations through a comprehensive land use plan, including supporting land tenure consolidation, and nature resource management, and
- Establishing and investing in smallholder-owned commercial farm enterprises transitioning into commercial agriculture from subsistence farming and integrating them into commercial value chains.

We originally coded the project as 'high localisation' due to its strong focus on community groups. Going deeper, we found evidence cutting across most localisation levels. The largest component of the project — for irrigation services provision (US$136 million) — is led by the national government in a top-down approach, and therefore appears to be 'no localisation'. All project management functions, and most financial management, are also undertaken at the national level. The project's second component, land tenure and natural resource management, intends to help establish district-level bodies to implement land reform and support settlement of land disputes, thus showing evidence that aligns with high localisation. The third component, agricultural development and commercialisation, intends to engage communities to outline project propositions and support business planning and agribusiness partnerships at cooperative and individual levels. This includes a small grant mechanism for on-farm investments representing roughly 12% of the project's financial budget.

As in the Nepal and Bangladesh case studies, we found no evidence of local actors' roles in designing the overall programme. As a result, although benefits were overwhelmingly intended for the subnational level, a much smaller proportion of the budget was associated with high localisation, whereby local actors would lead the process via community natural resource management, supported by a small grants mechanism. And while several of the interventions — such as helping district-level bodies implement land reform and support land dispute settlements and supporting cooperatives — could lead to greater localisation in the future, we cannot confidently state, with the information provided, that this would go beyond consultation or participation.

Finally, this project highlights a real challenge in associating adaptation finance reported with localisation, especially for projects reported by the MDBs using their climate components (Box 2) methodology. There is no information, for example, on which components or subprojects are associated with the reported US$93 million of adaptation finance. It is challenging enough to estimate how much of the project's overall budget is associated with different localisation levels, but it is impossible to do so for adaptation finance.

Annex II. Detailed methodology

This annex summarises how we analysed the verified LDC adaptation finance reported to the OECD DAC CRS as adaptation-related development finance between 2014–2018. For a full description of how we decided on our different adaptation subsamples, please read Section 3.

How much data did we review in detail? We reviewed in detail 4,798 entries reported to the OECD DAC CRS as targeting an LDC in the five-year period between 2014 and 2018. Our intention was to only review the entries associated with projects and programmes where adaptation was the main objective (Box 5). But, having started with all the adaptation-related development finance coded as 'principal' by contributors, we then included finance that multilateral funders reported as having 'climate components' and, given that it is the main global climate fund, finance the GCF reported as 'significant' adaptation. Therefore our final sample was composed of a mix of the OECD's adaptation Rio Markers.

How did we confirm whether there was enough evidence to code? The OECD DAC CRS descriptions of entries and their associated projects and programmes are extremely limited. In almost all cases, we had to try to locate original project documents to understand their localisation. If the data quality was Level 1 and above (Box 6), we assessed the intended targeting of local beneficiaries and intended local agency.

What evidence did we use for coding? Although there were exceptions, we tried to focus on primary contributor intentions to ensure some level of comparability between entries with less available evidence. As such, we focused on reviewing the project and programme goals, outcome statements, output statements, component and activity descriptions and stakeholder engagement sections. However, this still gave a significant bias towards contributors, with high levels of initial project transparency for intended project or programme actions.

BOX 5. DEFINING PRIMARY AND SECONDARY ADAPTATION FINANCE

Primary adaptation finance is the amount of contributor-reported adaptation-related development finance we could verify was invested in projects with the primary objective of supporting climate change adaptation. As these projects begin with adaptation intentions, they are more likely to deliver transformational adaptation by considering how to prepare for future climate uncertainty and current climate risks, address structural vulnerabilities, and protect and restore vital ecosystems, and by investigating how these innovations can be scaled-up to influence wider investment flows. We confirmed this by reviewing the project or programme goals and outcomes with which the data entry was associated. If the main goal or majority of the outcomes were explicitly to support climate adaptation or climate resilience, we coded the entry as primary adaptation.

Secondary adaptation finance is the amount of contributor-reported adaptation-related development finance we could verify was invested in projects with the secondary or tertiary objective of supporting climate change adaptation. Although climate adaptation might have been the primary objective within certain project components, it was not the main project goal. As such, its starting intentions were more likely to be tackling current climate variability rather than adapting to climate change by preparing for uncertain future climate risks and addressing the structural causes of vulnerability. We confirmed this by reviewing the project or programme goals and outcomes with which the data entry was associated. If the main goal or majority of the outcomes were not explicitly to support climate adaptation or climate resilience, we coded the entry as secondary adaptation.

Why did we code against the project's main goals? We decided to only code entries against their associated project or programme objectives because it was often impossible to associate individual entries with specific project components or subprojects. Contributor entries to the OECD DAC are highly variable, and there are duplicate entries — sometimes for different tranches of the same components — with little information to distinguish different parts of the same project. This makes it impossible to differentiate for individual components across such a large dataset, especially when contributors report in different ways.

BOX 6. DATA QUALITY CODES

We scored the adaptation-related development finance entries reported to the OECD DAC CRS for data transparency using a four-point scale based on how well we could identify supplementary online information linked to that adaptation, where:

0 = not enough information to review

1 = short description on the OECD or IATI database

2 = information could be gleaned from a new article

3 = short project profile, and

4 = detailed project documents

Local beneficiary targeting

In line with our whole-of-society definition of the local level (Box 7), we considered local beneficiaries to be any actor at subnational level and below, including public authorities and government, enterprise, civil society, community actors, households and individuals. We tracked where any of these local actors were noted as a beneficiary within activity descriptions or project or programme documents, paying particular attention to excluded groups, such as women, youth, disabled people and Indigenous Peoples.

Overall, we manually coded each entry against their associated project or programme's main target beneficiaries, using the following categories: national government; local government; local private sector; local NGO; and local community and below (including households and individuals).

We also manually coded for specific vulnerable groups, including women, youth, disabled people, and Indigenous Peoples. These vulnerable group categories include organisations, individuals and households — future tracking could better disaggregate between these, as well as better age disaggregation to capture intentions to benefit children.

Primary versus secondary local: For local beneficiaries, in the report we only present the analysis of results where different local actors were clearly the primary intended beneficiaries of the overall project or programme. To do this, we developed the following code:

- Primary local: more than 50% of intended benefits appeared to target subnational actors
- Secondary local: less than 50% of intended benefits appeared to target subnational actors
- Local not-targeted: no intended benefits appeared to target subnational actors.

BOX 7. WHAT DO WE MEAN BY LOCAL?

We consider local actors to encompass the people and communities on the frontline of climate change and the local institutions representing and supporting them to facilitate their adaptation.

Local institutions include formal and informal organisations below the national level that are composed of or directly accountable to local people, making them better placed to create the spaces for local people to have agency over their adaptation. Although this analysis emphasises local actors closest to communities who can facilitate face-to-face interpersonal relationships for collective adaptation action, they can also include:

- **Local authorities:** Authorities from regional to district government agencies (below subnational level) that are responsible for meeting local needs, particularly through public services and infrastructure and by enforcing regulatory frameworks and policy.
- **Local private sector:** Formal and informal enterprises of all sizes that form a country's economic backbone, drive economic growth and create jobs. We do not disaggregate between small and large private sector organisations, and in some instances include national corporations.
- **Local civil society:** Community organisations and social movements that reach and represent excluded people, invest in locally led, people-centred solutions and engage in political and social issues to shift public opinion, norms and behaviours. In some instances, this includes local NGOs.

Local agency

To track how much agency local actors had over the adaptation process, rather than simply the intention to deliver local adaptation benefits, we applied two concepts to the US$5.9 billion of verified primary LDC adaptation finance flows:

- **Which local actors had a role in decisions?** We attempted to track which local actors — government, NGO, private sector and community (including households and individuals and particularly excluded groups) — had a role in the adaptation process beyond being passive beneficiaries. This included, but was not limited to, being engaged in prioritising, designing, implementing, monitoring and evaluating adaptation action.

- **What level of authority did they have over decisions?** To track local actors' level of authority in these adaptation decisions, we applied a five-level local adaptation spectrum (Box 8), ranging from no localisation to very high localisation. Importantly, this spectrum does not infer good or bad adaptation, as localised decisions are not always the most appropriate. Rather, its purpose is to better track the characteristics of the adaptation process.

BOX 8. LOCAL ADAPTATION SPECTRUM

Our local adaptation spectrum is a draft tool for investigating how to better capture local agency across the adaptation process. It is a composite index incorporating different citizen engagement. The spectrum is composed of five levels. 'No localisation' does not necessarily mean the adaptation is bad or maladaptive, nor does 'very high localisation' mean the process is always good and transformative. This localisation spectrum is slightly different from the one presented as part of the Principles for Locally Led Adaptation, as we have iteratively strengthened it over the course of engagement with adaptation stakeholders.

- **No localisation:** no evidence of consultation with local actors
- **Low localisation:** evidence that adaptation was designed in consultation with local actors
- **Medium localisation:** evidence that adaptation was a highly participatory process
- **High localisation:** evidence that local actors have agency over some of the project components to be implemented
- **Very high localisation:** evidence that local actors led adaptation.

Acronyms

COP26	26th UN Climate Change Conference of the Parties
CRS	Creditor Reporting System
DAC	Development Assistance Committee
GCF	Green Climate Fund
IATI	International Aid Transparency Initiative
IDA	International Development Association
LDC	Least Developed Countries
LGED	Local Government Engineering Department (Bangladesh)
LIFE-AR	LDC 2050 Vision and Initiative for Effective Adaptation and Resilience
MDB	Multilateral development bank
NGO	Nongovernmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

Endnotes

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52. A note on replicating our numbers: It may not be feasible to exactly replicate the number we arrived at of US$5.9 billion of primary adaptation finance to LDCs between 2014 and 2018. First, our interpretation of primary finance is subject to error based on coding bias and error. Second, the base recipient perspective of OECD climate-resilient development finance may change (via updates and the impact of LDC graduation) from time to time. In running checks on our data, the amount reported as climate components to the OECD DAC CRS had already changed by a small amount since we first downloaded our dataset. We also round all of our numbers to one decimal place. We accessed our data from the OECD DAC CRS in April 2020.

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Related reading

Shakya, C and Smith, B (2021) Trust in climate finance requires meaningful transparency. IIED, London. https://pubs.iied.org/17774IIED

Shakya, C, Smith, B, Soanes, M, Bharadwaj, R and Holland, E (2021) Access to climate finance. Workshop Report, 23 February 2021. IIED, London. See https://pubs.iied.org/10213iied

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There is growing recognition that local organisations, people and communities need to lead or be meaningfully involved in the response to the climate, biodiversity and poverty crisis. The Least Developed Countries (LDCs) are leading a call for localising international climate adaptation finance, a crucial resource to support local actors and help developing countries respond to and prepare for worsening climate. This report investigates how feasible it is to track this finance to the local level in LDCs and considers what questions we must ask to address the prevailing transparency challenges that make it impossible to understand what progress is being made.

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