# Briefing

**Climate change**

*Keywords:*
Adaptation, climate finance, community-based adaptation

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**Issue date**
April 2014

## Policy pointers

**'Bottom line' fiscal** contributions will be the ultimate gauge of how well international funding is supporting local adaptation projects. But at present it is difficult to ascertain how much money is trickling down to the local level.

**Participation and buy-in** from communities and local stakeholders is essential when prioritising climate adaptation plans. Consultation will help ensure local priorities are addressed, in turn making success more likely.

**Rather than national** governments being the conduit for international climate adaptation finance, local people and organisations need more direct access to funds. The Adaptation Fund is already showing the benefits of such direct access.

**To achieve these aims,** more detailed, consistent and comparable transparency measures are needed, particularly from the large international climate funds. Small grant programmes may be a valuable tool.

# Fine tuning international adaptation funding for the most vulnerable

Local people and local governments must have the power to respond to the specific vulnerabilities climate change brings them. Policy frameworks also need to recognise and explicitly prioritise local adaptation measures. To achieve these aims, consultation with local stakeholders is needed to integrate their perspective into policy. Financial mechanisms must also allocate resources and disburse adequate funds to community organisations and stakeholders to empower them to undertake local adaptation activities. To ensure sufficient finance is flowing, it will first be essential to improve transparency and accountability for international climate adaptation financing mechanisms so that it is possible to track the flow of money from the international level right down to local action. This will require a more easily comparable, and consistent approach to reporting than is currently provided by the formal multilateral funds. Climate finance tracking initiatives still primarily focus on the international level despite the reality that adaptation takes place 'on the ground'.

Climate change adaptation in developing countries will take place at the local level. Climate change brings local vulnerability, and communities and local practitioners are pivotal in achieving successful results 'on the ground'.[1]

Community-based adaptation needs a set of 'mutually enforcing' circumstances. This includes making adequate funding available to those that most need it and can best use it. There must also be a range of policy measures that facilitate local adaptation activities. These policy measures will take various guises at the international and national levels, and there is no 'one-size-fits-all' approach. Indeed, policy should be driven by the specific context it seeks to regulate. The needs of local stakeholders should be considered when developing policy.

Formal mechanisms for financing climate adaptation at the international and national levels must also offer tangible accountability to their ultimate beneficiaries, including local people. Improved consistency, transparency and accuracy in the way funds are reported will help to accurately monitor international and national money, ensuring it is being shuttled to the local level.

## Global funds

Several international funds finance climate change adaptation. The United Nations Framework Convention on Climate Change (UNFCCC ) has two funds that channel official development assistance-type contributions from developed to developing countries: the Least

Developed Countries Fund (LDCF), and the Special Climate Change Fund (SCCF). These funds are mobilised through the Global Environment Facility. The Adaptation Fund also falls under the auspices of the UNFCCC. It is largely financed through sales of 'certified emission reduction' credits under the Clean Development Mechanism, but also receives contributions from governments, the private sector and individuals.

*A better approach would be to give local actors improved and more direct access to adaptation finance*

Outside of the UNFCCC, a range of other global funds have been established, such as the World Bank's Pilot Program for Climate Resilience (PPCR). The PPCR programmes are led by the recipient country, and builds on the National Adaptation Programmes of Action (NAPA). They aim to support actions that grow out of a comprehensive planning process and which align with national development programmes and plans.

## Transparency issues

The Least Developed Countries Fund and the Special Climate Change Fund offer a web-based tool for reporting on funded projects.[2] This details how much money has been approved for projects, but crucially does not detail the actual sums disbursed: only headline figures on project cost and approved funds are available. Status and progress reports also record 'top-line' amounts accessed by recipient countries, as well as reporting how the fund is distributed by sector, for example how much money is directed towards agriculture, or making management of water resources more resilient. There are no figures reporting how much money is disbursed by projects, nor any indication of who actually received the money. This creates a transparency 'blind spot'.

Developing countries can access the Least Developed Countries Fund and the Special Climate Change Fund resources through the Global Environment Facility's ten implementing agencies — many of which are multilateral development banks. However, there is currently no consistent tracking and reporting system across all of the agencies, making it difficult to understand or compare the true volume and nature of the finance provided.[3]

The multilateral development banks have begun to coordinate their efforts to improve climate finance reporting through a 'joint approach', but most do not report volumes of adaptation finance outside of this.[4] The joint approach uses a tracking method that is context- and location-specific, drilling down into the sub-project or project element level. This is certainly a step in the right direction, but more consistent information on the amount of money flowing through the banks towards adaptation activities is still needed.

In contrast to the other funds, the Adaptation Fund allows national and regional institutions to apply directly for support. Recipient countries can access financial resources directly from the fund, or assign a 'national implementing entity'. The Adaptation Fund reports on the funds allocated to a particular project, as well as the sum of money that has actually been transferred to the respective projects. This makes it easy to identify the flow of capital and how it is being used. This availability of information gives the Adaptation Fund a higher degree of transparency than the funds managed by the Global Environment Facility.

Most of the funding under the World Bank's Pilot Program for Climate Resilience is made available through loans, as opposed to grants. These loans are counted as official development assistance. This throws up issues of double counting: flows may be recorded as both adaptation finance and as official development assistance.[5] Recording these flows in a single database would help avoid this and improve transparency.[6]

## Setting priorities

Climate change adaptation policy is largely shaped and driven by decision making in the UNFCCC, as well as at the national level. These policy decisions are important for addressing global and national challenges, and will cascade down to a sub-national level. But implementing adaptation priorities that are set at the 'macro level' will likely prove problematic 'on the ground' unless such priorities have effectively incorporated local concerns. If adaptation policy is to create local outcomes, then discussing adaptation and resilience with affected communities is vital. The local perspective must be included. Adaptation policies implemented by local institutions, and which take account of local norms and values, are also more likely to achieve their intended results.[7]

Integrating the climate adaptation needs of the most vulnerable in society into central overarching climate change policies can aid effective prioritisation. For example, in Mozambique, climate-related challenges that will increase vulnerability have been identified in consultation with stakeholders, including local government and civil society, to help identify priority actions.[8] National poverty reduction

## Box 1. Nepal's climate adaptation policies

Nepal has a well-developed national climate change policy framework that effectively incorporates local adaptation needs. The National Adaptation Plan of Action (NAPA), which was developed to help Nepal access funds from the World Bank's Pilot Program for Climate Resilience, was prepared through extensive consultation with a number of stakeholder groups. In developing the NAPA, assessments were carried out at the district level in order to pinpoint particular geographical areas exposed to risk. Urgent and immediate needs, and also longer-term adaptation actions, were then identified, again drawing on wide participation. The result is a plan of actions that firmly focus on households in the most vulnerable areas.

Crucially, the National Adaptation Plan of Action establishes that 80 per cent of available money for adaptation must be spent locally. A number of NAPA projects have an explicit focus on community-based adaptation, indicating that international money can indeed finance activities on the ground. For example, the Least Developed Countries Fund has financed a community-based project to reduce the risk of floods from glacial lakes.

In conjunction with the Natonal Adaptation Plan of Action, Nepal drafted a Local Adaptation Plan for Action (LAPA) with the dual objectives of (i) implementing adaptation actions, and (ii) assimilating climate change into local development planning and implementation. The LAPA framework mobilises and channels higher-level resources, integrating climate change resilience from the local-to-national level, and ensuring planning is bottom-up, inclusive, responsive and flexible.[9]

The alignment of the NAPA and LAPA can ensure planned and autonomous adaptation actions dovetail, and that resources flow to where they are needed most. The alignment also means vulnerability assessments are more closely matched with planning and implementation actions. In other words, top-down national assessments of climate risks are integrated with bottom-up planning for adaptation needs, options and priorities.

strategies can be another way to reach the most vulnerable groups. For example, Rwanda's recent Economic Development and Poverty Reduction Strategy 2013-2018 seeks to ensure integrated climate change adaptation and mitigation actions. It provides for a coordinated planning system to harmonise central and local government actors in managing urbanisation.

Box 1 illustrates how Nepal, through its National Adaptation Programme of Action and Local Adaptation Plan for Action, has identified priority actions and sought to link national and local adaptation planning. These policies also ensure that the lion's share of finance is channelled to local levels.

## Targeting resources

International funds, such as those detailed above, are designed to work almost exclusively with national governments, but it is local authorities that are most often required to deal with the realities of climate change. This incongruity of scales makes it difficult to deliver money directly into the hands of local communities. Typically, national governments lack a thorough understanding of local level needs, making it hard to direct the money to where it is really needed. Instead of national governments acting as a conduit for international adaptation money, a better approach would be to give local actors improved and more direct access to adaptation finance — finance would be better targeted as a consequence. The Adaptation Fund has already demonstrated the benefits of direct access. The executing entities are responsible for carrying out project activities, which requires experience with development and adaptation activities in a local context. Community organisations are best equipped with such working knowledge, and this provides the opportunity for local organisations to be more closely involved in identifying project priorities.

Ultimately, the 'bottom line' fiscal contribution will be the most important gauge of how well international funding is supporting local adaptation projects. But, it is difficult to ascertain how much money is trickling down from international funds to the local level. This is particularly true of the Least Developed Countries' Fund and the Special Climate Change Fund. Inconsistencies across reporting practices pose a fundamental challenge to the the effective tracking of support provided for local adaptation. In short, a harmonised data collection mechanism is needed across funds. Or, at the very least, a universally agreed set of principles for best practice in reporting. There are efforts outside of the official UNFCCC machinery to help track such funds, for example the Climate Funds Update initiative,[10] but these are not yet entrenched, and often do not drill deeper than the national level.

Improved prioritisation in policy frameworks will also be a fundamental step in ensuring adaptation finance flows to the local level. As far as possible, policy should be based on thorough and comprehensive consultation with local stakeholders, as Nepal undertook when

### Box 2. Small grants mechanisms — a better way to match resources to local situations

A small grants mechanism can ensure local projects are priority beneficiaries of adaptation funding. Such a mechanism can act as a rapid, efficient and accessible channel, and can deliver small amounts of donor money that will have big local impacts.

A good example of this is the Global Environment Facility's Small Grants Programme, which is executed by the United Nations Development Programme, and makes grants of up to $50,000. These are made directly to community-based organisations and NGOs. Decisions to allocate money are taken by a national steering committee: a multi-stakeholder body drawing most of its members from the non-governmental sector. Once the committee has approved a project concept, its members will often work directly with NGOs and community-based organisations in project development. This is to ensure the technical and substantive quality of projects, and help them access technical support during project implantation.

These small grants have had high levels of success, both in terms of improving livelihoods and the global environment. Small Grants Programme activities can have an effect beyond just the specific grant activities, and in some cases projects are having a cumulative impact at national levels. There are examples of grants contributing to policy reforms that help make climate adaptation a mainstream policy approach, or promoting new practices or technologies at sub-national or national level.[1]

developing its National Adaptation Plan of Action and its Local Adaptation Plan for Action. This will help produce well-drafted and clear policy that sets out priority adaptation actions focusing on local contexts. Community-based adaptation can be integrated into development planning, and should be enshrined in poverty reduction strategies so that local adaptation is safeguarded as a key economic priority.

Local projects should be prioritised for resource allocation. One possible route for ensuring that local people play a key role in climate change adaptation is via improved access to funds for community organisations and local government (as is the case through the Adaptation Fund). Similarly, a small grants mechanism (see Box 2) that funnels money directly to the local level will also help syphon money straight to local communities.

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## Knowledge Products

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This briefing has been produced with the generous support of Danida (Denmark), Irish Aid and Sida (Sweden).

### Notes

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