

LoCAL

Local Climate Adaptive
Living Facility



Global Finance for Local Climate Resilience

Providing Global Finance for Local Climate Resilience

LoCAL is the UN Capital Development Fund's facility for investment in local level climate resilience. The facility channels global adaptation finance to local governments – who are at the frontline of dealing with the effects of climate change – and enables them to invest in building local resilience. The method for doing so is innovative: the LoCAL Facility connects to existing national intergovernmental fiscal transfer systems and supplements transfers to local governments with **Performance-Based Climate Resilience Grants (PBCRGs)**. LoCAL thus provides a fast and effective means to channel adaptation finance to where it is most needed, while at the same time ensuring ownership, accountability and results.



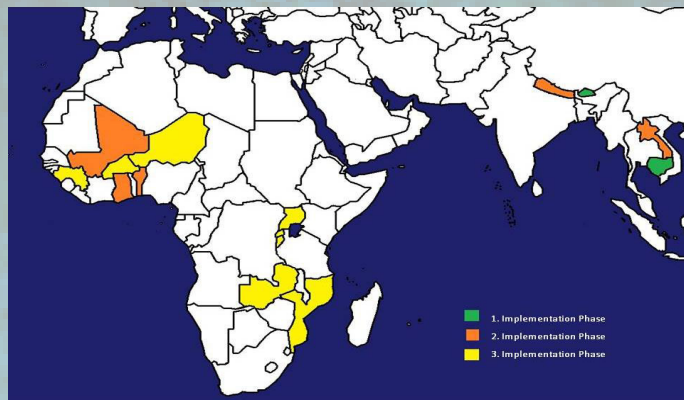
© UNCDF, Vietnam

Local Governments and the Climate Change Challenge

By virtue of their mandates, most Local Governments are already responsible for those sectors that cumulatively make a **locality resilient**, including investing in and maintaining basic infrastructure, water and sanitation facilities, enforcing zoning laws, and managing disaster risk. However, in most developing countries, local governments lack the fiscal space to invest in 'climate-proofing' their existing infrastructure or undertake other forward-looking investments that help build resilience.

How does LoCAL work?

Under LoCAL, communities and their local governments determine jointly what their most pressing climate adaptation needs are based on their likely **future climate scenario**. The LoCAL facility is accessed by government signing a Memorandum of Understanding, which regulates the facility and ensures full **national ownership**. Climate resilience grants are then channeled to local governments through the national intergovernmental fiscal transfer system. The resilience grants can, for instance, be spent on 'climate proofing' existing infrastructure, such as raising the level of a bridge which is subject to floods. Depending on the local circumstances, the grants can also be used for investments that promote food security – such as rain-water catchment systems that enable "rain-harvesting" and help farmers manage droughts – or investments for climate-related disaster risk reduction and preparedness.



© UNCDF Startup and potential countries for Local Facility.

What is important about the resilience grants is that they build on national systems and provide an incentive for local governments to **mainstream climate change concerns** into the regular planning cycle. The LoCAL grants are disbursed as part of a local government's regular budget envelope and can thus finance the 'adaptation' element of larger projects, allowing for holistic responses to climate change. After the budget cycle is completed, an assessment by the LoCAL Secretariat verifies that the funds were indeed spent

on building local resilience, assessing impacts and results. Finally, the resilience grants are **performance-based**, incentivizing local governments to continuously work on delivering better services.



© UNCDF, Niger




LoCAL Partnerships

The LoCAL facility is specifically designed to work with – and complement – the climate adaptation programmes of other governments and donor partners. For example, UNCDF is in the process of aligning LoCAL with UNDP-UNEP Global Poverty Environment Initiative framework and has already undertaken a joint approach in the design and development of LoCAL facilities in Nepal and Bangladesh. This would enable UNDP and UNEP to provide technical capacity building in climate change adaptation whilst benefiting from UNCDF unique ability to facilitate channeling of funds to the beneficiary LGs in support of their CCA interventions.



© UNCDF, Mozambique

What are the advantages of Performance-Based Climate Resilience Grants (PBCRGs)?

-  LoCAL builds on existing **country systems**, ensuring national **ownership**, and **alignment** with local adaptation priorities;
-  It provides incentives for **mainstreaming climate adaptive thinking** and **practice** into regular planning and budgeting cycles and ensures that investments are adequately maintained and **sustainable**;
-  The performance-based nature of the grants rewards **good performance** and empowers local governments to learn by doing, while ensuring that results are being achieved.



© UNCDF, Guinea

LoCAL Action in Cambodia and Bhutan:

The LoCAL is no longer a concept. Since 2011 it has been applied and tested on a pilot scale in two countries in Asia, i.e. Bhutan and Cambodia, in two very different ecosystems, covering a total of 11 local governments. This piloting provided a “bottom up” validation of LoCAL’s innovative approach to climate change adaptation measures at the local level through top-up financing of development programmes. The grants have enabled local governments to tackle the effects of climate change – such as changing rainfall patterns and downstream run off as a result of it. The experiences gained so far have enabled UNCDF to refine and strengthen the approach and in collaboration and support from SIDA develop a plan to scale up access of increased climate finance to more LGs and to roll out the methodology to other regions globally.

UNITED NATIONS CAPITAL DEVELOPMENT FUND – UNCDF

UNCDF is the UN's capital investment agency for the world's 49 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

Asia and Pacific Regional Office :

Christopher Kaczmariski: Technical Regional Advisor

christopher.kaczmariski@uncdf.org | Tel. : +66 (0)2 288 1682 |

Fax : +66 (0)2 288 3032 | www.uncdf.org

Regional Office Africa :

Katiella Mai Moussa : Technical Regional Advisor

katiella.mai.moussa@uncdf.org | Tel. : +22133 869 2806 |

Fax : +221 33 869 28 0631 | www.uncdf.org



Microfinance • Capital Development