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**Mechanism for financing local  
adaptation to climate change —  
Performance-based climate resilience  
grants — Requirements and  
guidelines**

*Mécanisme pour le financement de l'adaptation au changement  
climatique à l'échelle locale — Subventions pour la résilience  
climatique basées sur la performance — Exigences et lignes  
directrices*

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# Contents

|   | Page      |
|---|-----------|
| Foreword.....   | v         |
| Introduction.....   | vi        |
| <b>1 Scope.....</b>   | <b>1</b>  |
| <b>2 Normative references.....</b>  | <b>1</b>  |
| <b>3 Terms, definitions and abbreviated terms.....</b>  | <b>1</b>  |
| 3.1 Terms and definitions.....  | 1         |
| 3.1.1 Terms related to climate change and its impacts.....  | 1         |
| 3.1.2 Terms related to parties.....   | 2         |
| 3.1.3 Terms related to adaptation.....  | 3         |
| 3.1.4 Terms related to monitoring.....  | 5         |
| 3.2 Abbreviated terms.....  | 6         |
| <b>4 Financing and mainstreaming climate change adaptation at the local level.....</b>              | <b>6</b>  |
| <b>5 General description of the mechanism.....</b>  | <b>8</b>  |
| 5.1 Overview.....   | 8         |
| 5.2 Localizing adaptation action.....   | 9         |
| 5.3 Good governance and public financial management.....  | 10        |
| <b>6 Designing a national system for local adaptation financing.....</b>                            | <b>11</b> |
| 6.1 General.....  | 11        |
| 6.2 Scoping analysis.....   | 11        |
| 6.3 Assessing conditions for a successful launch — Key points and principles for consideration..... | 12        |
| 6.3.1 General.....  | 12        |
| 6.3.2 Alignment with government policies.....   | 12        |
| 6.3.3 Linking planning and budgeting.....   | 13        |
| <b>7 Designing the PBCRG system.....</b>  | <b>13</b> |
| 7.1 General.....  | 13        |
| 7.2 Minimum conditions and performance metrics.....   | 13        |
| 7.2.1 General.....  | 13        |
| 7.2.2 Principles for defining indicators for minimum conditions and performance metrics.....        | 14        |
| 7.2.3 Performance metrics.....  | 15        |
| 7.3 Size of the grants and allocation formula.....  | 16        |
| 7.4 Menu of eligible adaptation investments.....  | 17        |
| 7.5 Institutional arrangements.....   | 19        |
| 7.6 Flow of funds.....  | 19        |
| 7.7 Capacity building and institutional strengthening.....  | 20        |
| 7.8 Selection of (pilot) subnational authorities.....   | 20        |
| 7.9 Outlining the rationale for the initiative — Output and outcomes.....                           | 21        |
| 7.10 Country design report.....   | 21        |
| <b>8 Implementation and institutional arrangements.....</b>   | <b>22</b> |
| 8.1 General.....  | 22        |
| 8.2 Conducting/reviewing climate risks, vulnerability and adaptation assessments.....               | 22        |
| 8.3 Integrating adaptation into local development planning and budgeting.....                       | 23        |
| 8.3.1 General.....  | 23        |
| 8.3.2 Identifying local adaptation priorities.....  | 23        |
| 8.3.3 Promoting diversity, social and environmental benefits.....                                   | 24        |
| 8.3.4 Monitoring adaptation funding.....  | 24        |
| 8.4 Selecting and implementing adaptation investments.....  | 24        |
| 8.4.1 General.....  | 24        |
| 8.4.2 Using the investment menu in a risk informed manner.....                                      | 24        |
| 8.4.3 Developing an investment adaptation rationale.....  | 25        |

|          |  |           |
|----------|--|-----------|
| 8.4.4    | Developing investment outcome indicators.....  | 25        |
| 8.4.5    | Selecting investment primary output indicators.....  | 26        |
| 8.5      | Appraising subnational authorities' performance.....                                       | 26        |
| 8.5.1    | General.....   | 26        |
| 8.5.2    | Understanding annual performance assessments.....  | 26        |
| 8.5.3    | Selecting a performance assessment modality.....   | 27        |
| 8.5.4    | Coordinating with existing performance assessments and audits.....                         | 27        |
| 8.5.5    | Validation and verification.....   | 28        |
| 8.5.6    | Informing subsequent allocations.....  | 28        |
| 8.6      | Capacity building.....   | 28        |
| <b>9</b> | <b>Evaluation of LoCAL.....</b>  | <b>29</b> |
|          | <b>Annex A (informative) LoCAL country case studies.....</b>                               | <b>30</b> |
|          | <b>Annex B (informative) Sample outcome indicators for adaptation investments.....</b>     | <b>34</b> |
|          | <b>Annex C (informative) Sample output indicators.....</b>                                 | <b>35</b> |
|          | <b>Annex D (informative) Categories of minimum conditions and performance metrics.....</b> | <b>37</b> |
|          | <b>Annex E (informative) Example of basic allocation.....</b>                              | <b>38</b> |
|          | <b>Annex F (informative) Types of local adaptation actions.....</b>                        | <b>39</b> |
|          | <b>Annex G (informative) Sample investment menu.....</b>                                   | <b>40</b> |
|          | <b>Bibliography.....</b>   | <b>42</b> |

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## Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see [www.iso.org/directives](http://www.iso.org/directives)).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see [www.iso.org/patents](http://www.iso.org/patents)).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see [www.iso.org/iso/foreword.html](http://www.iso.org/iso/foreword.html).

This document was prepared by Technical Committee ISO/TC 207, *Environmental management, Subcommittee SC 7, Greenhouse gas and climate change management and related activities*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at [www.iso.org/members.html](http://www.iso.org/members.html).

## Introduction

Subnational authorities and local communities are most affected by climate change impacts, and this is especially true in the Global South. However, subnational authorities can also hold the solutions for climate change. Subnational authorities in least developed countries (LDCs) and other developing countries are in a unique position to identify climate change adaptation responses that best meet local needs, and typically have the mandate to undertake the small- to medium-sized adaptation investments needed to build climate resilience. Yet they frequently lack the resources to do so, particularly in a way which is aligned with established local decision-making processes and planning and budgeting cycles. The local climate adaptive living (LoCAL) facility was designed by the United Nations Capital Development Fund (UNCDF) to address this challenge.

LoCAL was developed by UNCDF to respond to budgetary and capacity building challenges faced by subnational authorities in their contributions to adaptation.

This document is developed based on UNCDF's LoCAL mechanism, which has been introduced and tested in 17 countries since 2011 and, as of 2021, has mobilized over USD 125 million, mostly in the form of grants to more than 300 subnational authorities, reaching over 12,5 million people, see Reference [19]. Case studies of sample countries that have implemented LoCAL are given in [Annex A](#).

The methodology and approach outlined in this document for a country-based system for financing local adaptation is referred to as the "LoCAL mechanism". LoCAL can be tailored to specific country circumstances to increase awareness of and capacities to respond to climate change at the local level, and mainstream climate change adaptation into local government planning and budgeting systems and investments. The LoCAL mechanism supports local adaptation by channelling climate finance to subnational authorities in LDCs and other developing countries. It thus aims to contribute to the country's achievement of the 2015 Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC) and the UN Sustainable Development Goals (SDGs): particularly poverty eradication (SDG 1), sustainable cities and communities (SDG 11), and climate action (SDG 13) at the local level. LoCAL increases local level climate change awareness and capacities and integrates climate change adaptation into local government planning and budgeting in a participatory and gender-sensitive manner.

The main component of the LoCAL mechanism is the performance-based climate resilience grants (PBCRGs), which ensures programming and verification of climate change expenditures at the local level while offering strong incentives for performance improvements in enhanced resilience along with technical and capacity-building support. PBCRGs provide financial support for subnational authorities being delivered through the LoCAL mechanism. They can also be complemented with other financial tools.

PBCRGs ensure that financial flows delivered under LoCAL include a performance element which incentivizes subnational authorities to target adaptation actions, while increasing transparency and accountability by enabling verification of climate change expenditures at the local level. By thus building capacity and trust, the PBCRGs improve subnational authorities' chances of accessing and effectively using wider sources of climate funding.

This document outlines an internationally recognized country-based mechanism to channel climate finance and increase local resilience through PBCRGs. The approach increases subnational authorities' access to (international) climate finance to implement climate change adaptation investments. This document aligns with the principles, requirements and guidelines outlined in ISO 14090. The design of the country-based mechanism and PBCRG system along with its implementation includes all elements identified in ISO 14090 including: pre-planning, assessing impacts, adaptation planning, implementation, monitoring and evaluation (M&E), and reporting and communication.

The LoCAL mechanism ensures the following four outputs:

- Output 1: Awareness of and capacities to respond to climate change at the subnational level are increased.

- Output 2: Mainstreaming climate change adaptation into government planning and budgeting systems, and investments are implemented in line with the PBCRG system.
- Output 3: Improving subnational authorities' chances of accessing and effectively using wider sources of climate funding.
- Output 4: Increased recognition of the role of subnational authorities in addressing climate change adaptation at the international level, through outreach, learning and quality assurance.

This document is structured around the following sections: [Clause 5](#) describes the LoCAL mechanism, [Clause 6](#) is on the design of the country-based system, [Clause 7](#) focuses on the PBCRG design, and [Clause 8](#) includes the requirements and guidance on the implementation of adaptation investments under the PBCRG.

In this document, the following verbal forms are used:

- “shall” indicates a requirement;
- “should” indicates a recommendation;
- “may” indicates a permission;
- “can” indicates a possibility or a capability.

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# Mechanism for financing local adaptation to climate change — Performance-based climate resilience grants — Requirements and guidelines

## 1 Scope

This document establishes an approach and methodology for a country-based mechanism to channel climate finance to subnational authorities to support climate change adaptation and to increase local resilience thereby contributing to the achievement of the goals of the 2015 Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC) and the UN Sustainable Development Goals (SDGs). The country-based mechanism uses performance-based climate resilience grants (PBCRGs) which ensure programming and verification of climate change expenditures at the local level, offering strong incentives for performance improvements in enhanced resilience.

This document provides requirements and guidelines and is applicable to organizations such as national and subnational authorities, donors, companies, financial institutions and international organizations that are involved in implementing a country-based mechanism for channelling climate finance to subnational authorities to support climate change adaptation and resilience.

**NOTE** Another mechanism for supporting local adaptation is by direct support at the local level by donors without any financial flows from national government.

## 2 Normative references

There are no normative references in this document.

## 3 Terms, definitions and abbreviated terms

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <https://www.electropedia.org/>

### 3.1 Terms and definitions

#### 3.1.1 Terms related to climate change and its impacts

##### 3.1.1.1

##### **climate change**

change in climate that persists for an extended period, typically decades or longer

Note 1 to entry: Climate change can be identified by such means as statistical tests (e.g. on changes in the mean variability).

Note 2 to entry: Climate change might be due to natural processes, internal to the climate system, or external forcings such as modulations of the solar cycles, volcanic eruptions, and persistent anthropogenic changes in the composition of the atmosphere or in land use.

[SOURCE: ISO 14090:2019, 3.5]

### 3.1.1.2

#### **impact**

effect on natural and human systems

Note 1 to entry: In the context of *climate change* (3.1.1.1), the term “impact” is used primarily to refer to the effects on natural and human systems of extreme weather and climate events and of climate change. Impacts generally refer to effects on lives, livelihoods, health, ecosystems, economies, societies, cultures, services and infrastructure due to the interaction of climate change or hazardous climate events occurring within a specific time period and the vulnerability of an exposed society or system. Impacts are also referred to as consequences and *outcomes* (3.1.4.3). The impacts of climate change on geophysical systems, including floods, droughts and sea level rise, are a subset of impacts called “physical impacts”.

[SOURCE: ISO 14090:2019, 3.8]

### 3.1.1.3

#### **hazard**

potential source of injury or damage to the health of people, or damage to property or the environment

[SOURCE: ISO 14050:2020, 3.1.8]

### 3.1.1.4

#### **risk**

effect of uncertainty

Note 1 to entry: An effect is a deviation from the expected. It can be positive, negative or both. An effect can arise as a result of a response, or failure to respond, to an opportunity or to a threat related to objectives.

Note 2 to entry: Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.

[SOURCE: ISO 14001:2015, 3.2.10, modified — Note 1 to entry expanded. Notes 3 and 4 to entry deleted.]

### 3.1.1.5

#### **exposure**

presence of people, livelihoods, species or ecosystems, environmental functions, services, resources, infrastructure, or economic, social or cultural assets in places and settings that can be affected

Note 1 to entry: Exposure can change over time, e.g. as a result of land use change.

[SOURCE: Adapted from IPCC, 2014].

### 3.1.1.6

#### **vulnerability**

<climate change> propensity or predisposition to be adversely affected by climate variability or *climate change* (3.1.1.1)

Note 1 to entry: Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.

[SOURCE: ISO 14050:2020, 3.8.13]

## 3.1.2 Terms related to parties

### 3.1.2.1

#### **interested party**

person or organization that can affect, be affected by, or perceive itself to be affected by a decision or activity

EXAMPLE Customers, communities, suppliers, regulators, non-governmental organizations, investors, employees and academia.

Note 1 to entry: To “perceive itself to be affected” means the perception has been made known to the organization.

[SOURCE: ISO 14001:2015, 3.1.6, modified — “academia” added to the example.]

### 3.1.2.2

#### **subnational authority**

level of government that is below national government

Note 1 to entry: This can include state, local, regional or community.

### 3.1.3 Terms related to adaptation

#### 3.1.3.1

##### **climate change adaptation**

adaptation to climate change

process of adjustment to actual or expected climate and its effects

Note 1 to entry: In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities.

Note 2 to entry: In some natural systems, human intervention can facilitate adjustment to expected climate and its effects.

[SOURCE: ISO 14090:2019, 3.1]

#### 3.1.3.2

##### **national adaptation plan**

##### **NAP**

national document containing adaptation priorities and planned activities (policies, projects and programmes) including an implementation strategy for a given period (e.g. 3 to 5 years)

Note 1 to entry: The main *output* (3.1.4.4) of the process to formulate and implement NAPs established under the UNFCCC in 2010 as a means to enable Parties to identify medium- and long-term adaptation needs and develop and implement strategies and programmes to address those needs.

[SOURCE: ISO/TS 14092:2020, 3.16]

#### 3.1.3.3

##### **mitigation**

human intervention to reduce greenhouse gas (GHG) emissions or enhance GHG removals

[SOURCE: ISO 14030-3:2022, 3.1.4.6, modified — “mitigation” replaced “climate change mitigation” as the preferred term.]

#### 3.1.3.4

##### **adaptive capacity**

ability of systems, institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences

[SOURCE: ISO 14090:2019, 3.2]

#### 3.1.3.5

##### **resilience**

*adaptive capacity* (3.1.3.4) of an organization and communities in a complex and changing environment

Note 1 to entry: The Intergovernmental Panel on Climate Change (IPCC) defines resilience as “the ability of a system and its component parts to anticipate, absorb, accommodate, or recover from the effects of a hazardous event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions”.

Note 2 to entry: Resilience is the ability of an organization to resist being affected by an event or the ability to return to an acceptable level of performance in an acceptable period of time after being affected by an event.

Note 3 to entry: Resilience is the capability of a system to maintain its functions and structure in the face of internal and external change.

[SOURCE: ISO Guide 73:2009, 3.8.1.7, modified — “and communities” added to the definition. Notes 1, 2 and 3 to entry added.]

### 3.1.3.6

#### **local climate adaptive living**

##### **LoCAL**

country-based mechanism to channel climate finance to *subnational authorities* (3.1.2.2) that combines *performance-based climate resilience grants* (3.1.3.7) with technical assistance and capacity building

[SOURCE: Adapted from UNCDF, 2018]

### 3.1.3.7

#### **performance-based climate resilience grant**

##### **PBCRG**

earmarked cross-sectoral grant with conditions attached to the use of its funding for *climate change adaptation* (3.1.3.1) beyond business as usual

Note 1 to entry: These grants complement regular allocations made by the national level to *subnational authorities* (3.1.2.2) through the intergovernmental fiscal transfer system.

Note 2 to entry: There are also other financial modalities.

[SOURCE: Adapted from UNCDF, 2018]

### 3.1.3.8

#### **investment menu**

list of common types of actions within the mandate of *subnational authorities* (3.1.2.2) which can promote climate *resilience* (3.1.3.5) and are eligible for performance-based climate resilience grant financing

Note 1 to entry: The menu informs the planning process and ensures that proposed actions are relevant to adaptation.

[SOURCE: Adapted from UNCDF, 2018]

### 3.1.3.9

#### **maladaptation**

actions intended to contribute to *climate change adaptation* (3.1.3.1), but which can lead to increased *risk* (3.1.1.4) of adverse climate-related *outcomes* (3.1.4.3), increased *vulnerability* (3.1.1.6) to *climate change* (3.1.1.1), or diminished welfare, now or in the future

[SOURCE: Adapted from IPCC, 2014]

### 3.1.3.10

#### **minimum condition**

<performance-based climate resilience grant> basic requirements with which *subnational authorities* (3.1.2.2) must comply to access *performance-based climate resilience grants* (3.1.3.7)

Note 1 to entry: These are formulated to ensure that a minimum absorptive capacity is in place to handle the funds.

Note 2 to entry: The entire set of minimum conditions needs to be met before subnational authorities can access their grants. In general, they involve good governance and public financial management *indicators* (3.1.4.2).

[SOURCE: Adapted from UNCDF, 2018]

### 3.1.3.11

#### **vertical integration**

process of creating intentional and strategic linkages between national and subnational adaptation planning, implementation, and monitoring and evaluation (M&E)

[SOURCE: Adapted from NAP Global Network, 2022]

### 3.1.4 Terms related to monitoring

#### 3.1.4.1 monitoring

routine collection and analysis of information to track programmes against set plans and check compliance with established standards

[SOURCE: Adapted from IFRC, 2011]

#### 3.1.4.2 indicator

quantitative, qualitative or binary variable that can be measured, calculated or described, representing the status of operations, management, conditions or *impacts* (3.1.1.2)

[SOURCE: ISO 14050:2020, 3.2.24]

#### 3.1.4.3 outcome

<local climate adaptive living> primary results that lead to achievement of the objective

Note 1 to entry: The achievement of the objectives is most commonly in terms of the knowledge, attitudes or practices of the target group.

[SOURCE: Adapted from IFRC, 2011]

#### 3.1.4.3.1 outcome indicator

used to demonstrate that an objective of an investment has been achieved

Note 1 to entry: Refer to [Annex B](#) for some examples.

[SOURCE: Adapted from Spearman and McGray, 2011]

#### 3.1.4.4 output

tangible products, goods and services and other immediate results that lead to achieving the *outcomes* (3.1.4.3)

[SOURCE: Adapted from IFRC, 2011]

#### 3.1.4.4.1 output indicator

*indicator* (3.1.4.2) to measure activities and resources that contribute to achieving the *outcomes* (3.1.4.3)

Note 1 to entry: Refer to [Annex C](#) for some examples.

#### 3.1.4.5 evaluation

systematic process that compares the result of measurement to recognised criteria to determine the discrepancies between intended and actual performance

Note 1 to entry: The gaps are inputs into the continual improvement process.

[SOURCE: ISO 22398:2013, 3.4]

#### 3.1.4.6 performance metrics

<local climate adaptive living> set of *indicators* (3.1.4.2) against which *subnational authorities* (3.1.2.2) are assessed on an annual basis

Note 1 to entry: These are used to adjust the level of funds made available to subnational authorities the following year in accordance with their compliance with the *minimum conditions* (3.1.3.10).

[SOURCE: Adapted from UNCDF, 2018]

### 3.2 Abbreviated terms

|        |  |
|--------|--|
| GHG    | greenhouse gas   |
| IPCC   | Intergovernmental Panel on Climate Change                |
| LDC    | least developed country                                  |
| LoCAL  | local climate adaptive living                            |
| M&E    | monitoring and evaluation                                |
| MoU    | memorandum of understanding                              |
| NAP    | national adaptation plan                                 |
| NDC    | nationally determined contribution                       |
| OECD   | Organisation for Economic Co-operation and Development   |
| PBCRG  | performance-based climate resilience grant               |
| SDG    | Sustainable Development Goal                             |
| SMART  | specific, measurable, achievable, relevant, time-related |
| UNCDF  | United Nations Capital Development Fund                  |
| UNFCCC | United Nations Framework Convention on Climate Change    |

## 4 Financing and mainstreaming climate change adaptation at the local level

Subnational authorities are increasingly seen as key actors in climate change adaptation and in building resilience to climate change.<sup>[22][25][27]</sup> SDG 13 on climate action indicates that subnational authorities are critical to strengthening resilience and adaptive capacity to climate-related hazards and natural hazards in all countries.<sup>[31]</sup> The IPCC Special Report also emphasizes the important role subnational governments play in developing and reinforcing actions for reducing weather- and climate-related risks.<sup>[17]</sup>

Subnational authorities are uniquely positioned to tackle these climate change-related challenges for the following reasons:

- Climate change adaptation responses differ from place to place and are highly context sensitive. Subnational authorities are well positioned to understand the diversity and complexity of local ecosystems as well as the needs and priorities of local communities. Large-scale investments also need local complementary actions to be fully effective.
- Climate change adaptation largely falls within the scope of the mandate and responsibilities of subnational authorities. Although their mandates vary from country to country, subnational authorities have historically been responsible for or engaged with land-use planning, environmental and construction regulation, and investments in infrastructure including irrigation, drainage and defence from natural hazards. These activities are fundamental to climate change adaptation and to building community resilience.
- Subnational authorities have unique local-level opportunities and potential to work across sectors and to bundle activities, which, given the appropriate funding and conditions, will ensure enhanced resilience.

- Climate change adaptation requires effective coordination between various interested parties with different mandates and interests. Subnational authorities can have some legitimacy and convening power to coordinate, co-finance and interact with interested parties including national-level institutions, civil society bodies, the private sector and various local government departments.

The Paris Agreement highlights the need to integrate adaptation in policies and actions, particularly at the subnational level:<sup>[27]</sup>

- Parties to the UNFCCC acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems ...with a view to integrating adaptation into relevant socio-economic and environmental policies and actions... (from Article 7)
- Capacity building should be country-driven, based on and responsive to national needs, and foster country ownership of Parties, in particular, for developing country Parties, including at the national, subnational and local levels. (from Article 11)

Yet there is strong evidence that most subnational authorities in LDCs and other developing countries are unable to contribute effectively to climate change adaptation and resilience building due to:

- a lack of appropriate budgetary allocations from the national level, leading to unfunded mandates for climate-sensitive sectors;
- weak or lack of institutional capacities to deal with climate change issues;
- inability to absorb the incremental costs of climate change adaptation;
- main sources of climate finance are often only available and accessed through application to national programmes that have specific, earmarked arrangements and which fall outside of established decision-making processes and the public expenditure management cycle.

Subnational authorities in LDCs and other developing countries are uniquely positioned to identify the climate change adaptation responses that best meet local needs, and typically have the mandate to undertake the small to medium-sized adaptation investments that contribute to building climate resilience. Yet they frequently lack the resources to do so particularly in a manner aligned with established local decision-making processes and planning, budgeting and budget execution cycles.

Subnational authorities have a key role to play in delivering adaptation results as they are uniquely positioned to know their vulnerabilities and needs, and because they have a stake in the outcome of any adaptation action, and if appropriately empowered, have strong incentives to ensure that interventions are efficient, effective and impactful. An Organisation for Economic Co-operation and Development (OECD) study estimates that, in 2017, only 19 % of total climate finance flowing from the Global North to the South targeted adaptation. Of this amount less than 10 % reached the local level, according to this OECD study.<sup>[22]</sup> There is thus growing recognition of the need to increase climate finance flows to the local level. In addition to this, it is critical to ensure that the technical resources and capacities are available to use the finance flows in the most appropriate manner. This would be according to vulnerability in line with the latest downscaled projections over realistic timescales.

Adaptation involves the management of climate risks by the identification, characterization and reduction of the manner in which human and natural systems are vulnerable to climate change, focusing on developing and reinforcing adaptive capacities.

The country-based, contextualized development actions are addressed to increase the climate change resilience of local communities by mainstreaming adaptation development activities into decentralized planning, budgeting process and investment cycles through the PBCRG system. They are performance based, which provides a mechanism and incentive to integrate adaptation into local administration public financial management systems and decision-making processes.

The mechanism promotes linkages between climate risk management with participatory planning, budgeting, budget execution and reporting, throughout all phases of the local planning and budgeting

cycle. It focuses on technical assistance and capacity development through learning-by-doing approaches and the introduction of incentives for focusing on climate-related challenges and performances.

## 5 General description of the mechanism

### 5.1 Overview

LoCAL increases local resilience thereby contributing to achievement of the Paris Agreement and SDGs. This mechanism combines PBCRGs with technical and capacity building support to subnational authorities.

PBCRGs ensure programming and verification of climate change expenditures at the local level and offer strong incentives for general performance improvements, targeting areas of importance for enhanced resilience. PBCRGs can be seen as an earmarked cross-sectoral grant with conditions attached to the use of its funding for climate change adaptation related to identified vulnerabilities. Combined with regular grant allocations, PBCRGs will gradually enable an increased percentage of subnational authorities' investments in climate-sensitive sectors to become climate resilient over time. The PBCRGs consist of a financial top-up to cover the additional costs of making investments climate resilient and/or of additional investments for climate change adaptation. These grants complement regular allocations made by the national level to subnational authorities through the respective intergovernmental fiscal transfer system. They include a set of minimum conditions, performance indicators and a menu of eligible investments. The design of the PBCRG system is detailed in [Clause 7](#). The LoCAL mechanism and its key elements are schematically described in [Figure 1](#).

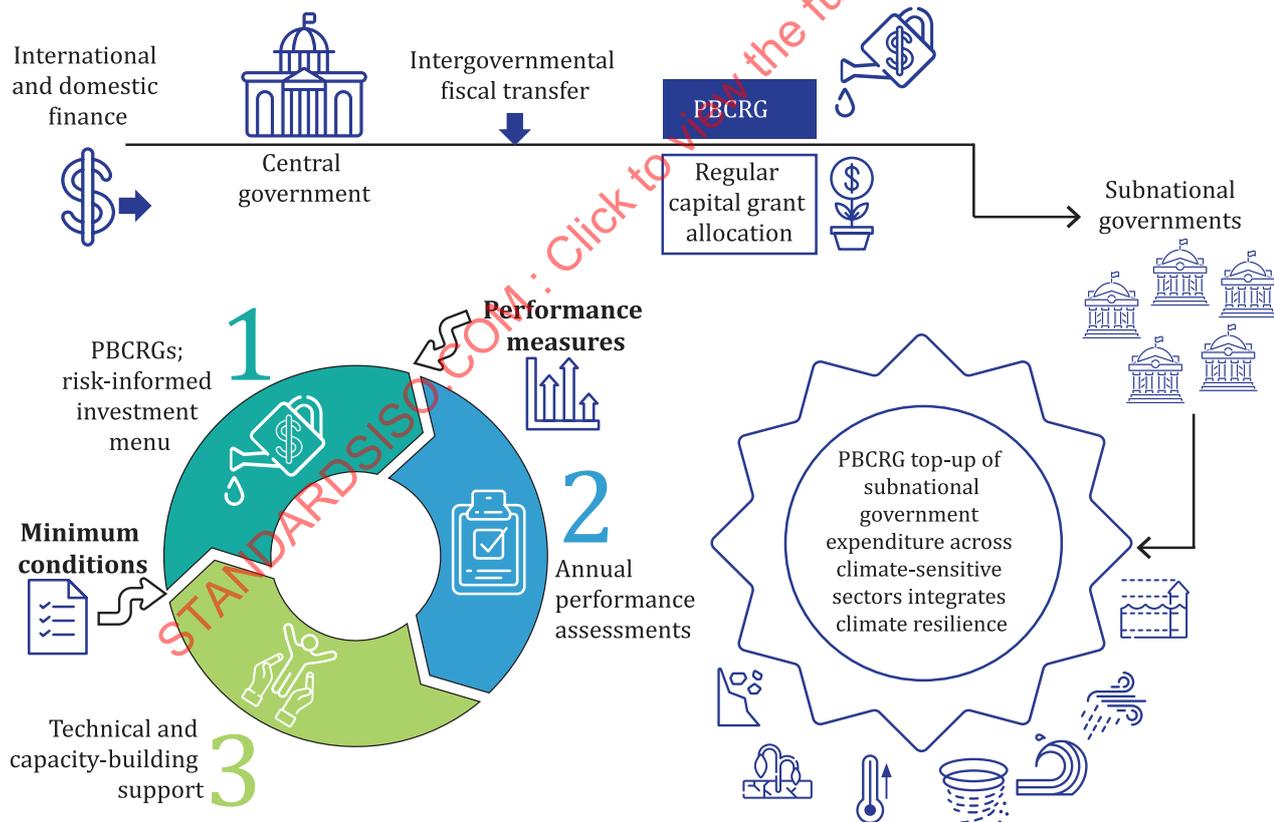


Figure 1 — LoCAL mechanism

The typical LoCAL cycle for the mechanism involves a number of key elements, as follows:

- a) Climate risk assessment: Climate risks, vulnerability and adaptation assessments are reviewed or undertaken to inform the adaptation planning and mainstreaming process. Needs and capacities are assessed.

- b) Integrate adaptation: Subnational authorities integrate adaptation in their own local development planning and budgeting processes, and cost, prioritize and select adaptation investments within the boundaries of the investment menu to be financed through the PBCRGs. They develop local adaptation programmes in a participatory manner.
- c) Implementation: Subnational authorities are assessed yearly against minimum conditions. PBCRGs are disbursed to support implementation of adaptation investments in the context of subnational authorities' annual planning and budgeting cycles, and these actions are implemented or coordinated by subnational authorities.
- d) Appraise performance: Performance of subnational authorities' operations is appraised on an annual basis. This assessment determines how efficient and effective additional resources have been used and how core functions were performed as well as climate change adaptation promoted. Audits are undertaken as part of the regular national process. Lessons are learned, and systems and procedures are gradually improved.
- e) Capacity building: The performance results inform the PBCRG allocations for the subsequent year, based on a pre-agreed formula and priority capacity building activities designed to address weaker performance areas. This strengthens subnational authorities' incentives for continual performance improvement and targeting of the most-needed adaptation investments.

A new cycle starts which is based on refinement of previous cycles.

Capacity-building activities are undertaken at various stages according to identified needs. These target the policy, institutional and individual levels.

There are three phases in developing a national system for local climate adaptation financing under LoCAL, which include the following:

- Phase 1: Piloting. Upon completion of the scoping and design of the national system for local climate adaptation financing, the first phase in implementation entails testing the mechanism in a small number of subnational authorities at the appropriate level or tier. Phase 1 introduces the PBCRG over one or two fiscal cycles. It tests the PBCRG minimum conditions and performance metrics, as well as the relevance of the menu of investments (eligible adaptation actions) and other technical guidance. The design builds on existing national systems. Phase 1 provides the necessary experience and lessons for refinement of the approach and design of Phase 2 in conjunction with the appropriate national authorities and partners.
- Phase 2: Learning. Phase 2 takes place with five to ten subnational authorities at the appropriate tier in a country. The purpose of this phase is to demonstrate effectiveness and create the conditions for a realistic, viable full national roll-out of the approach.
- Phase 3: Scaling-up. Phase 3 consists of a full national roll-out of the PBCRG mechanism in the country, based on the results and lessons of the previous phases. During roll-out, the mechanism is gradually extended to all climate-vulnerable subnational authorities at the appropriate tier. Phase 3 is expected to be financed by the national government through a re-adjustment of the architecture of existing resources to enable financing of local adaptation, as well as through financing from international organizations, financing institutions and climate funds, domestic and international.

## 5.2 Localizing adaptation action

As countries finalize their national adaptation plans (NAPs) or similar processes and review their nationally determined contributions (NDCs), discussions around the inclusion and integration of the subnational level along these processes have gained momentum. LoCAL brings the financing dimension to the concept of vertical integration, thereby supporting the localization of NDCs and NAPs, creating linkages, and integrating national and subnational plans and budgets. In addition, LoCAL, through the contribution of local governments, supports achieving the climate-related SDGs, particularly SDG 11 on sustainable cities and communities, SDG 13 on climate action and SDG 17 on partnerships.

Countries are required to formulate and implement NAPs to identify medium- and long-term adaptation needs and develop and implement strategies and programmes to address those needs<sup>[27]</sup>. LoCAL localizes NAPs by supporting subnational authorities in identifying adaptation needs and implementing projects to address these needs at the local level. Signatory Parties of the Paris Agreement are mandated to prepare, communicate and maintain successive NDCs that they intend to achieve. These contributions are voluntarily adopted commitments to reduce emissions, and to adapt to and ameliorate the effects of climate change. They reflect each country's highest possible ambition and are defined in line with a country's unique capabilities and circumstances. The NDCs address how the country is going to contribute to the decrease of GHG emissions, how it is going to contribute to climate change adaptation and mitigation nationally, and how it is going to contribute to fighting climate change globally. NDCs include goals, but also the means to achieve these goals, through specific policies, plans and targets to be implemented. A country's NDC highlights its strengths, and underlines where it most needs financial aid, technology and know-how. NDCs are an effective tool for communication and coordination amongst the parties to fight climate change and its impacts. LoCAL supports the localization of NDCs and NAPs, and enables vertical integration by bringing the financing dimension to vertical integration, and establishing links between national and subnational planning and budgeting. Finance for climate change adaptation can have a greater effect when mechanisms are in place that build links between national and subnational planning and budgeting. LoCAL serves as a vehicle through which governments can support NDC and NAP implementation at the local level. It also helps countries in delivering on agreed-upon core activities and procedures by financing and facilitating the design and development of activities included in NDCs and NAPs.

Countries can use LoCAL as one of the financing activities under their NDCs.

**EXAMPLE** In Benin, the mechanism has been highlighted as a contribution in bridging “the gap for financing climate change adaptation at the level of the local communities while building their institutional and technical capacity to address climate risks and challenges in the process of local development”.<sup>[18]</sup> For more details on the case of Benin, see [Annex A](#).

LoCAL can support a number of sectors in NDCs with investments and activities, including in agriculture, water, forestry and capacity building.

### 5.3 Good governance and public financial management

LoCAL is designed to allow for its adaptation to individual national circumstances. The flexibility of this mechanism allows for its implementation whether or not the existing fiscal transfer mechanisms are well-established and functional or if there is a challenge due to political instability or if there are other constraints. The mechanism is sufficiently flexible to adapt to increasing decentralization, adjusting the flow of funds, minimum conditions and performance indicators to ensure integration into evolving country systems.

The minimum conditions which are the basic requirements with which subnational authorities have to comply in order to implement LoCAL include good governance and public financial management indicators related to planning, budgeting, procurement, transparency, accountability and reporting on physical and financial execution to ensure that a minimum absorptive capacity is in place to handle the funds. These are linked to the local government's transparency, accountability and ability to effectively deliver services and the ability to address climate change impacts.

The PBCRGs used in LoCAL complement regular allocations made by the national level to subnational authorities through the intergovernmental fiscal transfer systems, and are at the core of the approach. Local government financial management procedures are applied (although augmented and strengthened as needed), along with the investment menu (see [7.4](#)) which is matched to the devolved competencies of the targeted local government level in line with the decentralization policies as well as NDCs and NAPs. Audits are also under the remit of the national audit institutions. If audits are not undertaken in a timely or regular manner due to limited capacities or financial resources, the LoCAL mechanism provides an opportunity to involve relevant institutions in the annual performance assessments.

The LoCAL mechanism can support the development of local-level planning and budgeting guidelines for subnational authorities, in cases where these do not exist or require strengthening.

The national scale-up of LoCAL indicates that the mechanism is fully embedded in the intergovernmental fiscal transfer systems, planning, budgeting and related monitoring systems.

## 6 Designing a national system for local adaptation financing

### 6.1 General

Designing a national system for local adaptation financing involves a country scoping analysis along with assessing conditions for a successful launch of LoCAL.

### 6.2 Scoping analysis

The creation of a country-based initiative for financing local climate adaptation shall begin with a country scoping analysis that consists of identifying the relevant political and institutional strategies and structures in place in the given country. Specifically, it reviews the entire system of local government service delivery (e.g. functions, funding, capacity). It also examines and assesses the entry points and conditions for successful launch and implementation. This ensures the mechanism will benefit subnational authorities and their communities.

The scoping analysis typically generates preliminary inputs and ideas for the design of the PBCRG system. The scoping analysis shall draw on expertise in climate change, decentralization (including fiscal decentralization and public financial management) and capacity building, and can be done through in-country missions.

The scoping analysis should include collecting the following information:

- Existing climate change information in terms of climate risks, vulnerability and adaptation assessments, as well as possible gaps in terms of information, systems or guidance, especially at the level of candidate pilot subnational authorities.
- National development strategies and priorities, planning and budgeting guidelines and how they relate to climate change adaptation and subnational authorities.
- Decentralization strategies and status, and level of integration of climate change adaptation in decentralized authorities' public expenditure management systems.
- Climate-related policies and strategies, particularly relating to adaptation, mainstreaming and subnational authorities.
- Existence and effectiveness of intergovernmental fiscal transfer systems and performance-based grant systems where applicable.
- Institutional set-up, roles and mandates of national ministries (e.g. finance, planning), line ministries (e.g. agriculture, natural resource management, water and public works, health and education), and climate-related institutions in the context of decentralization, local development and climate change.
- Local government legal framework, guidelines and manuals.
- M&E, audit and reporting systems.
- Ongoing and planned climate change adaptation and decentralization/local governance programmes or initiatives by governments and development partners.
- Technical and management capacities and needs of subnational authorities and ministries responsible for climate change, finance, planning and local government (e.g. staffing and skills for planning and procurement functions).

### 6.3 Assessing conditions for a successful launch — Key points and principles for consideration

#### 6.3.1 General

The specific conditions and entry points for a successful launch of LoCAL shall be identified by using the data and information collected in the scoping analysis.

The key points of the assessment should include:

- impacts of climate change on the country;
- climate change governance landscape including climate change policies and strategies;
- state of fiscal decentralization in the country;
- roles of various institutions and how they fit within the mechanism;
- examination of existing intergovernmental fiscal transfer system to subnational authorities including PBCRG systems;
- pilot areas and the rationale for selection;
- level of commitment by government and identification of any “champions”;
- technical partners involved in the sectors;
- scope for scaling up to Phase II and Phase III and identification of the source of additional resources;
- design issues, risks and challenges.

**NOTE** The first five key points can have a strong overlap with the information collected during the scoping analysis, whereas the five additional key points address new items and can require the collection of additional information.

A detailed scoping report, concept note or equivalent shall be produced based on a thorough review of the above issues. It shall include clear recommendations on the way forward and on the possible future design.

In some cases, a number of initiatives or reforms can be needed before the final design and launch of LoCAL. The move from scoping to the design phase requires agreement on the overall concept between key interested parties, in particular national government bodies, agencies and/or institutions involved in the LoCAL scoping, and strong government commitment.

#### 6.3.2 Alignment with government policies

The design of the LoCAL country initiative shall indicate how LoCAL aligns with existing government policies, frameworks and development strategies. PBCRGs shall complement regular allocations made from the national level to subnational authorities through the intergovernmental fiscal transfer system. Using and strengthening country systems is at the core of this approach. This shall also align with national development plans, decentralization and climate change policies. Identifying how LoCAL aligns with existing government policies and how LoCAL strengthens institutional capacity at the local and national levels should further support the rationale.

As described in [5.2](#), LoCAL supports the localization of NDCs and NAPs. The design of the LoCAL country initiative shall outline how LoCAL will contribute to localizing the NDC and how LoCAL will support and align with its NAP, through the investment menu.

### 6.3.3 Linking planning and budgeting

LoCAL shall be integrated into and shall build on key national processes at the local level for planning, budgeting and public financial management. Financing is in the form of, for example, grants to subnational authorities. The procurement rules and implementation procedures applied shall fall within the normal practices of the subnational authorities. The mechanism can help strengthen local procurement practices, either by ensuring that the existing procedures are implemented to a high standard or, where necessary, supporting the introduction of improved procedures, including integration of climate-relevant activities in tender procedures and contract monitoring.

An explanation of how LoCAL links to existing development plans and budgets shall be included in the country design report, as outlined in 7.10. The explanation should also include some justification in cases where various options have been considered.

## 7 Designing the PBCRG system

### 7.1 General

After the scoping analysis of LoCAL, the next step shall consist of designing the PBCRG system and related guidance and support systems.

NOTE Climate change adaptation can also be delivered through other financial modalities.

PBCRGs complement regular allocations made by the national level to subnational authorities through the intergovernmental fiscal transfer system. The technical features of the PBCRG system shall include a set of minimum conditions, performance metrics and a menu of eligible investments.

### 7.2 Minimum conditions and performance metrics

#### 7.2.1 General

The PBCRG system shall be based on a set of minimum conditions and performance metrics to provide sufficient safeguards for capacity to handle funds and promote strong incentives for performance improvements and targeting.

Minimum conditions are the basic requirements with which subnational authorities shall comply to access the additional finance under the PBCRG. These conditions shall be formulated to ensure a minimum absorptive capacity to handle the funds. The entire set of minimum conditions shall be met before subnational authorities can access their grants. This shall include at least three minimum conditions and these shall be focused on ensuring good governance and public financial management for climate change adaptation. They act as on or off triggers and provide basic safeguards.

Performance metrics are the set of indicators against which subnational authorities are assessed annually. They are more qualitative and variable than the minimum conditions, and shall cover core functional areas (e.g. quality of the planning and integration of climate change adaptation and the execution of adaptation activities, governance and accountability) in some detail. Subnational authorities' overall performance against these activities shall be used to adjust the level of funds made available to subnational authorities, subject to compliance with the minimum conditions.

The minimum conditions and performance metrics shall include the following:

- Good governance and public financial management: This set should include indicators related to planning, budgeting, procurement, transparency, accountability, and reporting on physical and financial execution.
- Climate related: This set should include indicators related to the use of climate information such as:
  - climate risks, vulnerability and adaptation assessments;

- mainstreaming of adaptation in local planning, budgeting, procurement/contracting and execution;
- technical compliance for climate proofing.
- Interface between good governance and climate adaptation: This set should include indicators related to participation and awareness-raising of vulnerable groups, gender equality, transparency, and environmental and social safeguards.

NOTE 1 The aim is to ensure that adaptation capacities and community resilience are strengthened through the participatory local planning process as well as the actual adaptation activities.

NOTE 2 This set is of particular importance for climate finance.

The indicators for minimum conditions and performance metrics shall include a number of good governance indicators including public financial management, procurement, transparency and accountability, as well as those that promote participation and equality.

NOTE 3 Good governance indicators tend to be highly relevant in defining the minimum conditions, while climate-related indicators are more prominent in the set of performance metrics. As an example, minimum conditions are essential in ensuring that the mechanism builds robust transfer systems for climate finance and strengthens the accountability of subnational authorities. Performance metrics tend to focus more on the participation of communities, including vulnerable groups and women, in decision-making and monitoring, and the quality of adaptation investments in terms of relevance for climate change and their effective implementation.

Performance indicators shall target the objective(s) of the PBCRG to be effective. Performance indicators shall be cross-sectoral and measurable on an annual basis (as performance affects yearly grant allocations). They shall provide clear signals for areas for improvement with a focus on climate change adaptation. They should be realistic but challenging. They shall be updated periodically to improve performance.

Minimum conditions and performance metrics shall include a limited set of indicators and be focused (e.g. five to seven minimum conditions and a short list of prioritized performance metrics) to ensure simplicity. Keeping the set of indicators streamlined establishes a clear incentive mechanism for performance reward, while maintaining system robustness and sustainability. However, the system should provide sufficient information to make a balanced performance assessment and provide subnational authorities with sufficient guidance on areas to improve as well as inputs for the identification of capacity development support.

To ensure climate change adaptation is specifically considered, adaptation-specific performance metrics shall account for at least 50 % of all indicators. If a performance-based grant system already exists within the country, the structure and design of performance metrics should depend on the existing performance-based grant system. It may use existing cross-sectoral performance metrics with a certain weight (e.g. 30 % or 50 %), which will promote overall, balanced performance of subnational authorities, and then add five to ten climate specific indicators for climate resilience.

### 7.2.2 Principles for defining indicators for minimum conditions and performance metrics

The following principles shall be applied for developing minimum conditions and performance metrics:

- Core functions:
  - Start with those relating to good governance, participation, transparency and financial management, particularly for minimum conditions and mainstreaming of climate change adaptation into planning and budgeting.

- Ensure that the core areas are well targeted, selecting a limited number of minimum conditions and a balanced number of performance metrics.
- Alignment and progression:
  - Identify and select minimum conditions and performance metrics based upon the national intergovernmental fiscal transfer system and/or monitoring system (such as those used by the inspection function, available audit reports and statistical surveys).
  - Fill the gaps which can exist in the performance system, so that minimum conditions and performance metrics can be developed with a view to being included in the national system or, where such systems do not yet exist, provide experience for the country to draw on.
  - Indicators or targets are reviewed as collective performance improves, or new indicators can be phased in over time. Performance metrics can become more demanding, with new conditions added in line with national system requirements.
- Compliance with statutory requirements:
  - Support local government compliance with statutory requirements (e.g. government laws and regulations), especially for minimum conditions.
  - Combined with adequate capacity-building support, performance metrics may also target areas outside of statutory requirements (i.e. anticipate the legal framework).
- SMART indicators:
  - Indicators are SMART (Specific: targeting a specific area for improvement, Measurable: quantitative or at least providing an indicator of progress, Achievable: results can realistically be achieved, Relevant: indicator must be closely linked to relevant outcomes, and Time-related: specifying when the results can be achieved).
  - Indicators are clearly defined.
 

NOTE There is generally a relationship between indicator simplicity and the ability to conduct an objective, neutral and professional performance assessment.
  - Indicators for target key drivers of change and core bottlenecks for improvement are identified that are in line with the objectives (e.g. if procurement is not working, it leads to inefficiency in all operations).
  - Weight indicators according to the performance priorities.
 

EXAMPLE The use of climate information, risk and vulnerability assessments for planning purposes and participatory planning can be seen as some of the core areas where improvements are most urgently required.
- Scoring system:
  - Monitoring of progress is based on a clear and simple scoring system. The scoring system includes verification and scoring guidelines so that evaluation is as objective as possible and results can be compared from year to year, independent of the actual composition of the assessment team.

### 7.2.3 Performance metrics

Performance indicators should assess broad performance components of, and pertaining to, but not limited to, the following performance parameters:

- public financial management and governance of the overall local government plan (public resources management), including:
  - local development planning and budgeting;

- accounting, reporting and procurement;
- transparency and accountability;
- local development implementation;
- performance of climate change adaptation investments and related considerations, including:
  - climate change adaptation planning and budgeting;
  - environmental considerations;
  - utilization and implementation of climate change adaptation grants;
  - monitoring and contract management with emphasis on climate change adaptation;
  - innovation and spread of benefits of the climate change adaptation investments;

Performance indicators shall cover the following categories, at a minimum:

- planning;
- budgeting;
- M&E reporting;
- procurement.

Additional performance indicators should cover the following categories, but are not limited to:

- data usage;
- project implementation;
- spread of benefits.

An example for categories of minimum conditions and performance metrics is provided in [Annex D](#).

### 7.3 Size of the grants and allocation formula

The financial volume of PBCRGs should be large enough to provide an incentive, cover the additional costs of adaptation, and have a positive effect in terms of investments and service delivery in areas key to enhanced climate resilience. On the other hand, they should also be small enough to match the absorptive capacities of subnational authorities and be fiscally sustainable and scalable. Funding availability also influences the size of grants, especially during the pilot phase.

NOTE 1 While LoCAL seeks to integrate its PBCRGs into fiscal transfers or performance-based grants from national to subnational authorities, the lack or deficiency of such existing mechanisms is not a deterrent. In fact, it is anticipated in targeting LDCs that such fiscal transfer mechanisms will face challenges. It is necessary, however, to ensure that LoCAL supports the further development of such mechanisms as well as the accompanying capacity to integrate climate change and PBCRGs into country systems.

Allocation of funds across the enrolled subnational authorities is a key issue and shall be done through application of an allocation formula, i.e. the set of criteria used to allocate funds across subnational governments. In other words, the allocation to each subnational government is calculated using a clear, objective and transparent formula for allocation using several indicators, as a way to promote an equitable distribution. The formula shall reflect the needs of the subnational governments and shall be evidence/fact-based as well as transparent and objective. The criteria should not distort existing resource allocations and should provide equal incentives (in percentages) to all subnational authorities involved: small or large, poor or better off. During the design stage of the PBCRG, the current formula for development grants, if any, should be assessed to see if it can be applied.

Criteria for the allocation formula shall be based on objective, simple, transparent, reliable and official data sources. Often as data are not readily available for factoring in vulnerability and expenditure needs, simple factors should be applied such as population, land size, poverty, equal share and performance.

The allocation formula shall be based on a clearly defined formula combining elements from the existing basic formula with performance elements. This should include a basic formula component and a performance component.

Most countries use a combination with weights for:

- a) population (or land size, poverty, etc.);
- b) equal share (same amount per unit);
- c) performance;

NOTE 2 Users can use the basic allocation formula available for development grants and weigh this with the performance element. The distribution and weight within the components can vary depending on the country, its needs and existing grant systems.

An example of the basic allocation is given in [Annex E](#).

In year 1, the basic formula from the allocation formula shall be used for the distribution of grants. From year 2 and onwards, performance indicators plus the basic formula should be used for the allocations.

NOTE 3 Because subnational authorities need time to respond to the performance component of the formula, countries can work through a transition period during which only the basic formula is applied in the first year or two, with performance indicators introduced in the second or third year. During this transition period, participation in the mechanism remains conditioned upon compliance with the minimum conditions, as explained above.

From year 2 or 3 onwards, the allocation shall be adjusted against the performance of the subnational authorities involved, providing an incentive for improvements, together with other factors such as awareness raising, publicity regarding results, competitiveness of subnational authorities and support for capacity building.

#### 7.4 Menu of eligible adaptation investments

The menu of eligible adaptation investments shall identify broad areas of adaptation actions within the subnational authorities' remit that can promote climate resilience. The menu should include activities that are meant to inform the integration of adaptation in local development and investment planning.

NOTE 1 The adaptation menu also provides an overview of adaptation actions which often go beyond existing local government investments and can guide them in expanding the range of adaptation opportunities (e.g. additional actions to strengthen infrastructure resilience).

NOTE 2 Examples of the types of local adaptation actions are given in [Annex F](#). Samples of an investment menu are given in [Annex G](#).

Menu categories shall largely depend on the anticipated climate change impacts identified and the subnational authorities' mandates in a given country, matched against NDC and NAP priority areas.

The menu of investments should typically cover the following areas:

- Strengthening the climate resilience of new or existing infrastructure works, when the need for the infrastructure itself is not directly related to climate change (e.g. school buildings, health centres, rural access roads).
- Climate-adaptive infrastructure, i.e. infrastructure that is needed specifically to adapt to climate change. This can include water infrastructure such as water storage, improved irrigation or additional domestic water supplies to cope with more intense and prolonged drought periods.

- Ecosystem-based adaptation, which uses a range of opportunities for sustainable management, conservation and restoration of ecosystems to provide services that enable people to adapt to the impacts of climate change.<sup>[9]</sup>
- Awareness raising and capacity building (e.g. training on water use efficiency, climate resilient agriculture techniques, emerging climate-related diseases).
- Sector services for climate change adaptation (e.g. supporting the diversification of agriculture production through resilient seed production and establishment of demonstration and testing farms) and services to local populations to help develop their resilience to climate change and climate-induced natural hazards (e.g. using early warning systems).
- Institutional strengthening for climate change adaptation (e.g. planning, design, appraisal, monitoring), which is tentatively limited in some countries to 10 % of the grants.

The investment menu should exclude the following:

- Development actions which, while valuable, do not really address any specific climate change risk or build resilience to climate change specifically.
- Environment actions which do not demonstrably advance adaptation aims. This includes climate change mitigation (i.e. efforts which seek to reduce GHG emissions). Similarly, general environmental actions should be excluded if there is no adaptation justification.
- Potentially maladaptive actions.

**EXAMPLE** Insurance policies can promote maladaptation if they support ongoing risky behaviour such as rebuilding in hazard-prone locations, or if they promote replacement rather than redesign.

The investment section of the menu should be organized in line with local development priorities and mandates such as agriculture, education and health, water and sanitation, transport and storage, and forestry. It should match with NDC and NAP priority areas.

The investment menu can also include a short negative list detailing items that shall not be financed by the PBCRG, e.g. government transport and administrative buildings, staff housing, salaries, private goods and services, microcredit, general administrative costs and loans.

The use of the investment menu shall be complemented by a climate justification for every individual adaptation action that is financed. Its use shall also reflect the local context, the climate risks, and vulnerabilities. The menu should provide subnational authorities with sufficient flexibility to address local issues of relevance for climate change adaptation.

Climate information and the process that leads to the decision to implement a specific adaptation investment and how it is implemented are more important than the individual actions themselves. For example, in a water-scarce area, boreholes can be included on the menu. However, if the local government decides to dig a new borehole because the existing ones have been poorly maintained, this should be considered business as usual, not climate change adaptation. Similarly, if the location of the borehole is not informed by the level of groundwater in light of climate change, this can lead to maladaptation and therefore should not be supported.

The menu should be viewed as a safeguard that avoids investments that are clearly not relevant to adaptation and thus ensures that the PBCRGs target climate-change-relevant issues and a means to promote policy alignment and coherence. This is critical, as the funding for the grants is conditional on climate change adaptation relevance. Focusing on investments that are on the menu should thus be seen as a necessary but not sufficient condition. The use of local climate information in terms of climate risks and vulnerabilities (also promoted through performance indicators) remains essential to ensure investments are indeed contributing to increasing climate change resilience.

## 7.5 Institutional arrangements

The institutional arrangements shall identify the agencies responsible for implementing the PBCRGs and the establishment of coordination bodies, if any.

The institutional set up is an important part of the design of the PBCRGs system as it helps to identify the lead ministries and to define the roles and responsibilities of different government counterparts with respect to the various elements of the PBCRG system and capacity building.

Roles and responsibilities for each of the implementing agencies and coordination bodies shall be clearly defined in the design. Roles and responsibilities should include:

- flow of funds, financial oversight and transfers;
- coordination and oversight of subnational authorities in terms of adaptation planning, investment execution, monitoring, reporting, financial accountability and audits;
- the provision of technical support to subnational authorities.

A mechanism shall be established to provide strategic direction and oversight to design and implementation at the national level. A steering and/or technical committee can be established. However, existing committees should be used by expanding on their mandates, membership, budgets and capacities. The membership should include representatives of key implementing departments such as those responsible for finance, planning, local government and climate change. The committee should also include representatives from subnational authorities themselves as well as from civil society.

A memorandum of understanding (MoU) should be established with the lead ministry and/or ministries. The MoU is a cornerstone in the design of the PBCRG system and delineates and regulates the flow of funds from donors and other partners, if applicable to the national government and from the national government to the subnational authorities.

## 7.6 Flow of funds

The flow of funds under the PBCRG system shall be clearly defined.

**NOTE** It is important to specify how funds will flow from donors to the national government and from the national government to subnational authorities.

The aim should be to use the government treasury system while ensuring traceability and additionality of the funds and to ensure a high level of mainstreaming and alignment with existing public financial management procedures. The feasibility of such alignment shall be considered in the design. The specifications of the design shall also outline the various options considered. It shall put risk management strategies in place as necessary, usually as interim actions, with a strategy for gradual mainstreaming.

Where possible, the PBCRG should be transferred directly to the treasury while ensuring traceability of the funds. It should follow the existing modalities of the intergovernmental fiscal transfer system and existing performance-based grant systems as applicable. If this is not possible, funds should be routed through the relevant ministry to top up current development grant schemes which can exist.

The number of yearly tranches (e.g. one or two) and the timing of their release should be set to align with the relevant intergovernmental fiscal transfer system, or, more specifically, the performance-based grant system.

In countries where effective and regular fund transfers cannot be guaranteed, a possible solution can be by releasing the PBCRG in one tranche and as early as possible in the fiscal year (or, for subsequent years, immediately after the performance assessment of the earlier cycle of investments) so as not to delay fiscal flows to subnational authorities, while gradually adjusting to the country cycle.

**EXAMPLE** Funding for the first two years of funding can be channelled directly from the lead ministry to the subnational authorities to align with national annual budgeting and planning. It can subsequently be aligned with the respective intergovernmental fiscal transfer system or performance-based grant system.

In the national designs, the MoU should clearly describe the responsibilities and tasks of each interested party in fund flow arrangements, including:

- requirements and conditions prior to release;
- timing of the release;
- reporting requirements;
- accounting, accountability and auditing conditions.

### 7.7 Capacity building and institutional strengthening

Capacity building and institutional strengthening is an important additional component of PBCRGs. The design and implementation stages therefore shall entail reviewing and providing recommendations to strengthen subnational authorities and their operations throughout the stages of the approach. Such reviews and recommendations shall address:

- climate risks, vulnerability and adaptation assessments;
- participatory and gender-sensitive approaches;
- adaptation programming and integration in local development plans, budgets and investment plans;
- public financial management of climate finance and procurement;
- costing, preparation and implementation of adaptation actions;
- performance assessments, monitoring and reporting.

PBCRGs shall provide incentives for subnational authorities to improve performance and target climate change adaptation. The annual performance assessments should support the process by identifying capacity needs and promoting incentives for performance improvements. If a local government does not meet the minimum conditions for the following year, it shall not receive the PBCRGs, but shall receive support in identifying and implementing corrective actions and targeted capacity building. Subnational authorities are encouraged to review their performance assessment and identify areas with potential for improvement.

Annual performance assessments should be used by national and subnational authorities and development partners to target capacity building support towards weaker areas of local government performance. These can include technical training, institutional strengthening, risk and vulnerability-based local planning, or local procurement.

### 7.8 Selection of (pilot) subnational authorities

LoCAL aims to become a nationwide mechanism leading to a full national roll-out of the PBCRG within the country and thus, gradually reaching all climate-vulnerable subnational authorities of the appropriate tier. LoCAL seeks to channel adaptation financing closest to the most vulnerable where PBCRGs can be channelled. Therefore, the first step in the selection of subnational authorities shall be to identify the most appropriate tier. Once the tier is identified, the pilot candidates among the subnational authorities shall be determined.

The selection of subnational authorities shall be as objective as possible and may include, but is not limited to:

- analysis of climate risks (i.e. hazards, subnational authorities' exposure and vulnerability to climate change);

- geographical diversity including biophysical conditions;
- level of understanding and awareness of adaptation, existing adaptation projects, capacity for adaptation and existence of adaptation plans;
- level of capacity already in place to create leverage of investments;
- presence of development partners and support in related areas, such as projects, private sector and civil society with whom the LoCAL can collaborate and create synergies;
- accessibility for staff for LoCAL implementation and design support, monitoring and learning.

### 7.9 Outlining the rationale for the initiative — Output and outcomes

The rationale for LoCAL and its effect along with measurable outcomes and outputs shall be identified and described. The rationale shall provide an explanation for why the LoCAL is planned. It shall outline potential benefits, how it is expected to support addressing the country's climate change challenges, and how it aligns with existing policies in particular the NDCs and NAPs. It shall also demonstrate how the LoCAL mechanism will support local government capacity building and institutional strengthening.

Along with the rationale, an impact statement shall be included to describe what the LoCAL country initiative is expected to achieve. This impact statement shall include how LoCAL activities will contribute to climate change adaptation, the SDGs and empowerment of subnational authorities. To measure the benefits of LoCAL, the users shall identify output and outcome indicators during the design phase of the country initiative.

Output indicators shall be included to measure the activities and resources that contribute to achieving the outcomes. The output indicators shall include explanations as to how the activities planned will contribute to the overall outcome for LoCAL.

Outcome indicators shall measure what the LoCAL country programme will aim to achieve. They shall be linked to how it will contribute to the impact statement. The outcome indicators will measure the success in achieving the impact statement.

### 7.10 Country design report

The country design report shall be based upon documentation prepared by the recipient country.

This report should build on elements of the earlier scoping analysis for LoCAL and should include the following:

- climate-related context and policies;
- contribution(s) of LoCAL to localizing NDC and NAP;
- policy on local government system and intergovernmental fiscal transfer system;
- links of LoCAL to development plans and budgets;
- performance system including the minimum conditions and performance indicators;
- allocation formula and size of grants;
- menu of adaptation investments;
- institutional arrangements;
- flow of funds;
- complementarities and synergies with other initiatives;
- capacity building and institutional strengthening;

- criteria for selection of subnational authorities;
- rationale for the initiative: outcomes, output and indicative activities.

Furthermore, the yearly progress with respect to implementation shall be documented.

## 8 Implementation and institutional arrangements

### 8.1 General

Implementation of LoCAL consists of a number of components at the subnational level:

- conduct/review climate risks, vulnerability and adaptation assessment;
- integrate adaptation into local development plans and budgets;
- select and implement action;
- appraise subnational authorities' performance;
- use performance results to inform next PBCRG allocation.

### 8.2 Conducting/reviewing climate risks, vulnerability and adaptation assessments

The first step of LoCAL implementation shall be to conduct or review local climate risks, vulnerability and adaptation assessments to inform adaptation planning and mainstreaming by assessing on-the-ground needs and capacities.

NOTE 1 Climate risks, vulnerability and adaptation assessments seek to understand the nature and level of climate risks for an exposed territory by determining the probability of occurrence of hazards (e.g. droughts, floods, windstorms) and the projection of climate-related events (e.g. increased temperature, changing weather patterns) and their impacts.

Climate risks, vulnerability and adaptation assessments shall clarify the potential climate risks for a given area, addressing the following topics:

- climate hazards, present and projected;
- vulnerabilities;
- exposure to hazards.

Climate risk assessments should be conducted regularly, though not yearly. The period between two assessments should not be longer than five years. Climate risk assessments shall inform local planning for several subsequent years.

NOTE 2 It can also be an opportunity to collect baseline data and information in each participating local area.

Users can choose different methodologies and approaches. However, the chosen method and/or approach should be aligned with the latest IPCC guidelines and UNFCCC framework. It should be tailored to the local context.

The risk assessment shall be described in an assessment report, which should include the following elements:

- The methodology used to approximate the level of existing climate risks, analysis of climate change future projections on temperature and precipitation and key vulnerability and exposure variables including in regard to ecological zones.
- Scientific risk and vulnerability assessment findings using projections. This should include demographic factors such as population trends and urbanization to provide an understanding of

how anticipated population trends affect future vulnerabilities and adaptive strategies for coping with the impacts of natural hazards.

- Identification of the potential impacts of climate variation on the selected sectors and prioritizing key climate-sensitive sectors in relation to the NDC and NAP.
- Key findings and recommendations.

### 8.3 Integrating adaptation into local development planning and budgeting

#### 8.3.1 General

Subnational authorities shall integrate adaptation in local development planning and budgeting processes in a participatory and gender-sensitive manner, as well as costing and selecting adaptation activities and developing local adaptation programmes to be financed through PBCRGs within the limits of the investment menu.

When integrating climate adaptation actions into local development planning and budgeting, the subnational authorities involved in the LoCAL mechanism shall choose projects that promote climate resilience from the LoCAL investment menu which is taking the country's underlying NAP and NDC into consideration.

**NOTE** LoCAL aims to integrate climate change adaptation into existing local development planning and budgeting processes. Such integration requires a good understanding of both key climate change concepts and on-the-ground climate risks, vulnerabilities to climate change and adaptation options. Consideration of assessment findings is essential in guiding change towards climate-resilient development.

#### 8.3.2 Identifying local adaptation priorities

Climate risk assessments and findings shall be used to ensure that the selected investments can be linked with broader adaptation aims. Subnational authorities should use the climate risk assessment to establish three to five local adaptation priority statements which reflect the most critical or concerning aspects of climate change for the local area. They shall be regularly updated over the course of the implementation of LoCAL.

The local adaptation priorities shall reflect the development context and needs. Thus, they should be themes or topics that reflect the most critical aspects of climate change for the local area. Subnational authorities should also integrate these priorities into their existing or future adaptation and/or development plans, as well as make recommendations to include these in a country's NAP or NDC.

**NOTE 1** Establishing local adaptation priorities will help subnational authorities to understand the climate risk assessment findings. This mainstreaming of climate priorities into broader plans and processes will help ensure the success of individual PBCRG-funded investments.

The local adaptation priorities should also fit within the following categories derived from the Green Climate Fund<sup>[12]</sup>:

- Livelihoods: Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions.
- Health: Increased resilience of health and well-being, and food and water security.
- Infrastructure: Increased resilience of infrastructure and the built environment to climate change threats.
- Ecosystems: Improved resilience of ecosystems and ecosystem services.
- Institutions: Strengthened institutional and regulatory systems for climate-responsive planning and development.
- Information (knowledge): Increased generation and use of climate information in decision-making.

- Tools: Strengthened adaptive capacity and reduced exposure to climate risks.
- Information (awareness): Strengthened awareness of climate threats and risk reduction processes.

Once local adaptation priorities are established, the actions shall reflect and address the priorities which are also addressed in the investment menu.

NOTE 2 Linking local adaptation priorities to higher level investment priorities can help subnational authorities in accessing future funding and finance sources.

### 8.3.3 Promoting diversity, social and environmental benefits

Subnational authorities shall engage with communities, women and other vulnerable groups to promote their inclusion in various ways throughout the cycle. Investments based on performance can also provide incentives for better including and addressing the needs of citizens, communities and women.

NOTE The participation of vulnerable groups is integral to successful adaptation at the local level. This participation is essential if ecosystem-based adaptation activities are included in the investment menu (see [Annex G](#)).

### 8.3.4 Monitoring adaptation funding

PBCRGs transferred to subnational authorities shall be monitored against the eligible expenditures, i.e. activities that contribute to improved climate resilience that have been linked under this PBCRG.

In countries where the budget classification and chart of accounts permit monitoring of funds and their use at the local level and by themes, the chart of accounts should be adjusted to report on adaptation activities at the local level. In cases where this is not possible, special reporting should be established in the short term and aligned as far as possible with the existing system.

NOTE 1 The approach relies on identifying the mechanism's funding as receipts and reporting on the adaptation activities funded by the subnational authorities' budget. Whether funds flow through the treasury's general development account or a special account at the national level, traceability is ensured so that funds can be reported.

NOTE 2 Monitoring adaptation can also be achieved when a country shifts to a programme-based budget with performance information. As most countries have now embarked upon such reforms, it is possible to assess expenditure towards adaptation using the country's programmatic classifications.

## 8.4 Selecting and implementing adaptation investments

### 8.4.1 General

As the PBCRGs are disbursed in the context of subnational authorities' annual planning and budgeting cycles, the next step shall be to implement selected adaptation investments. During this stage of the implementation, subnational authorities should select climate change adaptation actions based on data and information gathered from the climate risks, vulnerability and adaptation assessments, in line with the local authorities' local adaptation priorities and the risk-informed investment menu.

### 8.4.2 Using the investment menu in a risk informed manner

The investment menu shall be an indicative list of activities that can be financed with the PBCRGs. Each country has its own menu because climate change poses different risks in different countries, and the roles and responsibilities of subnational authorities vary from country to country. In cases where LoCAL operates across very different ecosystems or regions (e.g. mountainous and coastal), there may be more than one menu.

To ensure climate change adaptation is focused, the following questions should be taken into consideration when contextualizing the use of the menu using findings of climate risks, vulnerability and adaptation assessment:

- Do the investments selected from the menu address findings from the climate risk assessment and/or other climate information (either documented observations or sound scientific projections) and/or any related feasibility studies?
- Do the investments address a specific climate change risk within these findings?
- Do the investments reduce the community's vulnerability to climate change and/or improve its capacity to adapt? In what way?
- Are these investments distinct from development business-as-usual? If they are climate-proofing development investments, do they specifically advance local adaptation priorities?
- Do the investments directly benefit women or other vulnerable people in the area?

#### 8.4.3 Developing an investment adaptation rationale

As an investment is selected, adaptation rationales shall be documented to describe what is to be achieved by the adaptation investment and the justification for such action. Adaptation rationales for investments selected by subnational authorities should include the following:

- Development context in the location. This description shall include information about poverty and farming livelihoods (e.g. farming), gender, environment and other information that represents the overall context. This description should also highlight who in the area is especially vulnerable and why some populations are more affected by climate risks and other drivers of vulnerability.
- Development statement of benefits and what the investment will achieve in general. This description should specify how the investment will contribute to development in general, not only as it relates to climate change adaptation.
- Adaptation context and how the current or expected climatic change will affect the area and the climate change situation being faced. The subnational authority shall cite climate change risk assessment findings and climate information such as scientific data about weather or climate, local observations, risks maps and other data relating to the climate context.
- Adaptation statement of benefits for the investment. This describes and justifies how the investment will contribute specifically to climate change adaptation. This statement should explain why the investment was selected and why it is a priority from a climate change perspective. Climate information and data can be used to explain how this investment reduces risks to climate change.
- Adaptation outcome for the investment. The local authority should identify an adaptation outcome for each action, which shall be measurable.

#### 8.4.4 Developing investment outcome indicators

Outcome indicators shall be selected to measure the effectiveness of the investment as it relates to the adaptation outcome. Outcome indicators shall be used to demonstrate the extent to which the objectives of an investment have been achieved.

There can be several indicators for an outcome, two or three indicators should be appropriate, and no more than five per action. These can also include qualitative indicators.

Baseline data shall be collected at the start and additional data at the end of the investment. Where possible, it is recommended that data are collected as part of routine monitoring.

#### 8.4.5 Selecting investment primary output indicators

Output indicators measure changes that are directly related to the investment's activities. These indicators tend to be quantitative, simple and straightforward, and show what the investment is actually doing. Output indicators shall be SMART (see 7.2.2).

Each investment should have a primary output, and each primary output should be measured by one or two output indicators which confirm that the main aim has been achieved.

NOTE Primary output indicators are meant to measure the primary activity of the PBCRG-funded investment. For example, many investments include a capacity-building component, but capacity building is only a primary output if that is the central aim and purpose of the activity.

### 8.5 Appraising subnational authorities' performance

#### 8.5.1 General

An important component of LoCAL implementation is to appraise subnational authorities' performance. Appraisal of performance shall be completed as a fiscal year is finished to demonstrate how additional resources have been used to build resilience and promote adaptation. These performance results shall inform the next year's PBCRGs allocations. Local government performance with regard to their PBCRGs shall be assessed on an annual basis and rely on third-party verification.

#### 8.5.2 Understanding annual performance assessments

The performance of the local government for the previous year shall be reviewed against a set of pre-determined performance indicators (annual performance assessment).

The annual performance assessment shall serve the following objectives:

- to provide an incentive mechanism for continual improvement in addressing climate change, as comparing results across subnational authorities will influence the subsequent year grant allocation;
- to review progress made by participating subnational authorities against their own past performance;
- to provide valuable information on stronger and weaker performance areas for capacity building and for institutional learning by subnational authorities and other interested parties on what, how and when to improve;
- to contribute to the overall M&E system, especially on issues related to systems and procedures as well as outputs;
- to provide useful lessons in improving the mechanism, especially in the early stages.

The annual performance assessments should also provide an opportunity to assess the minimum conditions for the following year before embarking on a new cycle of planning, budgeting and execution.

The process of the performance assessment should allow subnational authorities to identify:

- possible strengths and weaknesses;
- needed corrective and capacity-building activities;
- lessons or recommendations to improve government systems and procedures and the mechanism.

Information for the performance assessments should be derived from the following sources:

- a) surveys of subnational authorities;
- b) interviews with subnational authorities;

- c) documents and online reports maintained by subnational authorities;
- d) direct observations from project site visits and interactions with local beneficiaries.

The results of the performance assessment shall be known prior to the start of the local-level planning and budget process for the following year.

### 8.5.3 Selecting a performance assessment modality

The basic principles in annual performance assessment shall be neutral and objective. It is therefore crucial to ensure that the personnel and interested parties shall have no conflicts of interest.

**EXAMPLE** Institutions responsible for capacity-building support are not always in an ideal position to conduct the assessments due to potential conflict of interest.

Performance assessments shall undergo a sufficient level of verification and quality assurance, as it directly affects operation of the grants as well as allocations.

**NOTE 1** Depending on country context, performance assessments can be conducted by an interministerial team often with external support or contracted out to specialized private agencies.

Performance assessments can be conducted by the following:

- government's audit institution (national audit bodies) with support from LoCAL;
- government institutions with support and quality assurance from LoCAL;
- contracted to professional teams that are specialized in these activities or professionals trained in these activities.

**NOTE 2** Preparatory self-assessments are conducted by subnational authorities in dialogue with citizens, combined with government institutions and an external assessment to ensure quality and neutrality.

To avoid possible conflicts of interest and capacity issues, it is often best to contract out all or part of the assessments. The team's integrity should be ensured with appropriate checks, along with strong quality assurance from the committee/programme in charge of the PBCRG system, and with LoCAL verification.

Performance assessments shall be based upon proper preparation and planning including briefing and capacity building of the assessment team and prior notification to the subnational authorities to be assessed. National level data collection should be combined with site visits to subnational authorities. These visits allow for the review of the qualitative aspects of performance.

**NOTE 3** Strong quality assurance systems are vital in conducting assessments. Approaches to finalizing assessment results vary across countries and are based on experiences with performance-based grant systems in general. It can also be possible to establish steering committees or the equivalent to finalize and formally endorse assessment results.

After the assessments have been conducted and endorsed, the results shall be published and shared widely to ensure transparency and promote local government learning, positive competition and raising awareness.

### 8.5.4 Coordinating with existing performance assessments and audits

To the extent that countries already have a performance-based grant system in place, the PBCRGs and assessments should be linked closely with the existing system and its assessments.

LoCAL should engage in a dialogue to undertake joint assessments and support integration of climate change adaptation in the current system (e.g. through mainstreaming in planning and reporting), adding only a limited number of adaptation-specific indicators.

When general and LoCAL assessments cannot be synchronized or when general assessments are not taking place, past assessments should be used and built upon.

Annual performance assessments should rely to the extent possible on audits conducted as part of a regular national process.

### 8.5.5 Validation and verification

A programme for the validation/verification shall be established. Such a programme shall specify definitions, principles, rules, processes and requirements for validation/verification process steps, as well as for the competence of validators/verifiers for a specific sector.

NOTE 1 Programmes can be legal frameworks, international, regional or national standards, global initiatives, sector applications as well as individual agreements with clients of the validation/verification body.

NOTE 2 Validation and verification as conformity assessments are understood to be a confirmation of reliability of information declared in claims. Other terms in use for the object of assessment by validation and verification are “statement”, “declaration”, “assertion”, “prediction” or “report”.

NOTE 3 Both activities are distinguished according to the timeline of the assessed claim. Validation is applied to claims regarding an intended future use or projected outcome (confirmation of plausibility), while verification is applied to claims regarding events that have already occurred or results that have already been obtained (confirmation of truthfulness).

NOTE 4 Assurance is provided by validation/verification and gives confidence to parties interested in the claim. The programme can define levels of assurance, (i.e. a reasonable or limited level of assurance).

### 8.5.6 Informing subsequent allocations

Assessment results shall be factored into the PBCRG allocation for the subsequent year.

Performance based on assessment results shall be weighed to ensure that all improvements have an influence on allocations: each local government's performance is compared with the average, and above average performance should be rewarded.

The system for grant adjustment shall be clearly understood and appreciated by national and subnational authorities, and based on the specific country's legal framework, guidelines or grant system.

While PBCRG bonuses are awarded based on the total number of points across all sections of the annual performance assessment (and are not directly associated with the number of adaptation-specific performance indicators), adaptation-specific performance indicators shall account for at least 50 % of the total score to ensure that there is adequate emphasis on adaptation in the specific LoCAL programme. If the PBCRG design review shows that adaptation-specific performance indicators make up much less than 50 % of the total score, this should be addressed, for example, as the country moves across phases of the LoCAL programme.

## 8.6 Capacity building

LoCAL implementation shall encompass capacity-building activities, which should be undertaken when and as appropriate to identified needs, targeting the institutional and individual levels, strengthening subnational authorities' incentives for continual performance improvement and focusing on the most needed adaptation investments.

NOTE 1 The findings from the climate risks, vulnerability and adaptation assessment along with the subnational authorities' annual performance assessment usually provide useful information in assessing existing adaptive capacities of communities and subnational authorities, as well as the priority needs for capacity building.

NOTE 2 Capacity-building projects usually involve meetings and/or training that bring large numbers of local people together. This creates an opportunity to raise general awareness of climate change and the need for climate change adaptation.

## 9 Evaluation of LoCAL

An evaluation shall be conducted by the country that is implementing LoCAL to determine how it is effectively addressing adaptation through its PBCRG programming.

Although country evaluations complement regular LoCAL cycle monitoring and the annual performance assessments, they shall not be part of the PBCRG incentive system and shall not focus on accountability or activities.

The country evaluations should focus on the following:

- demonstrate how and why subnational authorities effectively address adaptation through PBCRGs;
- generate evidence and learning that can be used by LoCAL and others to contribute to adaptation;
- identify opportunities for LoCAL to improve its strategy and programming.

The evaluation shall assess how LoCAL is performing from an adaptation perspective along with the following evaluation criteria taken from the OECD-DAC, current revision:

- relevance to climate change adaptation;
- effectiveness;
- efficiency;
- sustainability;
- adaptation benefit;
- coherence.

The LoCAL review and evaluations should be based on the following schedule:

- a) Phase 1 countries: every year (from year two of implementation);
- b) Phase 2 countries: every third year;
- c) Phase 3 countries: every third year.

## Annex A (informative)

### LoCAL country case studies

**Table A.1 — Benin**

| Subject  | Details   |
|--|---|
| Background   | <p>Benin's national vulnerabilities include three major climate risks: drought, heavy rains and flooding. The resources with the highest exposure to these risks are drainage basins, subsistence agriculture and water resources. The most exposed social groups are small farmers, market gardeners and emerging farmers, and fishers. A vulnerability and climate change adaptation study identified four vulnerable sectors: the coast, water resources, forestry and agriculture.</p> <p>The aim of LoCAL-Benin is to demonstrate and highlight the role communes can play in promoting local climate change adaptation/resilience activities, through integrating climate funding in budget transfer mechanisms and planning/allocation of local resources.</p>   |
| Local climate adaptation interventions and investments | <p>To date, 24 adaptation investments in 9 communes received financing through PBCRGs. Of these, four are new investments identified in 2019 in Materi, Ouaké, Banikoara, Coby and Toukountouna, and were implemented or are under implementation in 2020. Overall, 71 000 people are reported to have benefited (or will benefit) from PBCRG-financed investments; 55 % of these are women. These investments mainly focus on the following:</p> <ul style="list-style-type: none"> <li>— Rehabilitation/improvement of community ponds in an effort to revitalize the local aquaculture sector as an alternative livelihood option for local communities as well as water retention infrastructure for supporting agropastoralism.</li> <li>— Construction/rehabilitation of wells and irrigation facilities to ensure water availability for irrigated fields throughout the year and maintenance of market garden yields, as a key income-generating activity especially for women.</li> <li>— Capacity-building activities on climate-resilient crop varieties, i.e. climate-resilient rice varieties and cost-efficient agricultural practices in two communes.</li> <li>— Water-related infrastructure (e.g. boreholes) to ensure a supply of potable water in rural villages affected by water scarcity.</li> </ul> |
| NOTE See Reference [19]                                |   |

Table A.2 — Bhutan

| Subject  | Details  |
|--|--|
| Background   | <p>As a least developed, mountainous and landlocked country situated in the geologically-fragile Himalayas, Bhutan is extremely vulnerable to climate change. The overall goal of LoCAL in Bhutan is to improve the adaptive capacity and resilience of local communities to climate change with increased access to climate adaptation financing through PBCRGs.</p> <p>The role, mandate and capacities of subnational authorities, particularly with regard to sustainable development, have been significantly strengthened through recent legislation, regulations and programmes. LoCAL in Bhutan is embedded in the Local Governance Sustainable Development Programme, initiated in 2013 to assist subnational authorities in implementing block grants allocated for sustainable local community development, while developing their capacity for good governance and improved public service delivery. LoCAL's successful integration in this programme has been instrumental in supporting subnational authorities in developing and rolling out guidelines, supporting participatory climate vulnerability assessments and integration of adaptation in local development planning, and raising awareness. LoCAL effectively applies existing national capital grant rules and regulations for allocating, channelling and reporting on funds while strengthening the overall intergovernmental fiscal transfer system and piloting innovative features (i.e. for performance measurement).</p>  |
| Local climate adaptation interventions and investments | <p>Since 2012, more than 300 small-scale investments have been created through PBCRGs in 100 local communities, 165 of which were in 2020. The following are among the core adaptation priorities financed to date:</p> <ul style="list-style-type: none"> <li>— Infrastructure works aimed at improving farm roads for enhanced climate resilience, this involved slope stabilization of landslide-vulnerable areas, rectification/ improvement of the drainage system and construction of a causeway.</li> <li>— Construction of elevated bridges to overcome risks posed by swollen rivers and streams during heavy rain events.</li> <li>— Improvement of rural water supply schemes, this involved tapping new/additional water sources, protecting water sources and their enhancement through planting water-conserving species, upgrading water tanks to increase storage capacity, and/or replacement of water supply lines with climate-resilient materials.</li> <li>— Community water harvesting and improvement of irrigation systems by rehabilitating irrigation channels and installing climate-resilient piping network to distribute irrigation water more effectively and improve agricultural productivity and farm livelihoods.</li> <li>— Soil conservation and landslide risk management, such as planting bamboo and hedgerows and contour bunding to prevent soil erosion and protect agricultural lands.</li> <li>— Development of stormwater drainage to mitigate flood and landslide risks to farmlands, schools, homes and other public and private properties in rural areas.</li> </ul> |
| NOTE See Reference [19].                               |  |

Table A.3 — Cambodia

| Subject  | Details   |
|--|---|
| Background   | <p>Cambodia is ranked one of the most climate-vulnerable countries in the world and is expected to experience increased variation in, and intensity of, precipitation. Over 2 million farming households, or over 8 million people, rely heavily on the climate for their livelihoods. The objective of the LoCAL-Cambodia initiative, the subnational authorities and Climate Change Project (LGCC), is to demonstrate the role of subnational authorities in fostering climate change resilience and identify practical ways to mainstream climate change resilience into subnational planning and finance systems.</p> <p>LoCAL in Cambodia is aligned with its NAPs and processes. Cambodia has undertaken initiatives to mainstream adaptation into national development and in specific sectors such as agriculture, forestry and human health, as well as coastal zone management. Its 2006 National Adaptation Programme of Action to Climate Change identifies coping mechanisms to hazards and climate change impacts, as well as key adaptation needs. NAP development is being used to strengthen ongoing climate change adaptation processes through cross-sectoral programming and implementation at the national and subnational levels. This is expected to inform future climate change strategies, financing frameworks, and national development planning and budgeting.</p> |
| Local climate adaptation interventions and investments | <p>Overall, 538 adaptation investments have been financed through PBCRGs. The largest share of investments is aimed at improving transport systems, especially during the rainy season, for people and goods, followed by those aimed at strengthening the resilience of agricultural systems and improving the availability of potable and safe water and disaster prevention and preparedness.</p> <p>Of the 538 projects financed, 450 are small-scale infrastructure projects mainly entailing construction of elevated roads/bridges and renovation/construction of rural/farm roads, restoration/protection of irrigation canals, and rehabilitation/construction of water gates, sewage systems and community ponds. Several capacity-building and awareness-raising activities were also supported, e.g. on climate change causes and effects (both for local authorities and communities), agricultural climate-resilient practices (e.g. improved varieties of rice, good agricultural practices, cattle farming), and health and sanitation (prevention of climate change-borne diseases, personal hygiene, etc.).</p>   |
| NOTE See Reference [19].                               |   |

Table A.4 — Niger

| Subject  | Details   |
|--|---|
| Background   | <p>Climate change in Niger is evidenced by, among other factors, a reduction in average annual rainfall, combined with limited temporal and geographic distribution when it does occur, increasingly high temperatures, more frequent periods of drought, marked deterioration in soil quality and greater ecosystem fragility. The degradation of land potentially suitable for cultivation and the dependence of the country's farms on rainfall make Niger extremely vulnerable to random climatic events.</p> <p>LoCAL in Niger seeks to demonstrate and highlight the role of communes in promoting local climate change adaptation/resilience activities through integrating climate funding in budget transfer mechanisms and the planning and allocation of local resources.</p> <p>The LoCAL-Niger Technical Committee has been set up under the authority of the Ministry of the Environment, Urban Sanitation and Sustainable Development, the Ministry of the Interior, Public Safety and Decentralization and Customary and Religious Affairs, and the National Environmental Council for Sustainable Development. The committee coordinates and monitors implementation of the LoCAL mechanism.</p> |
| Local climate adaptation interventions and investments | <p>Over the three-year pilot phase, LoCAL-Niger financed 64 adaptation investments in 9 communes. Approximately 40 % of the portfolio was devoted to land restoration initiatives to combat desertification and erosion through cash-for-work schemes. Some 380 ha of degraded land were restored, and some 8 000 short-term jobs created. Climate resilience of rural livelihoods was addressed through support to diversified income-generating opportunities for women, including market gardening and provision of live-stock, as well as food supply to communal cereal banks for the most vulnerable communes. Overall, 23 investments were undertaken in 9 communes for approximately USD 430 000.</p>   |
| NOTE See Reference [19].                               |   |