LIFE-AR

LDC Initiative for Effective Adaptation and Resilience

How to channel climate funds to the local level: choosing the right delivery mechanism

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Cover photo: Woman watering her income-generating garden in Ninigui Village, Yatenga, Burkina Faso, credit: P. Casier/CGIAR

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LIFE-AR: THE LDC 2050 VISION AND LIFE-AR PRINCIPLES

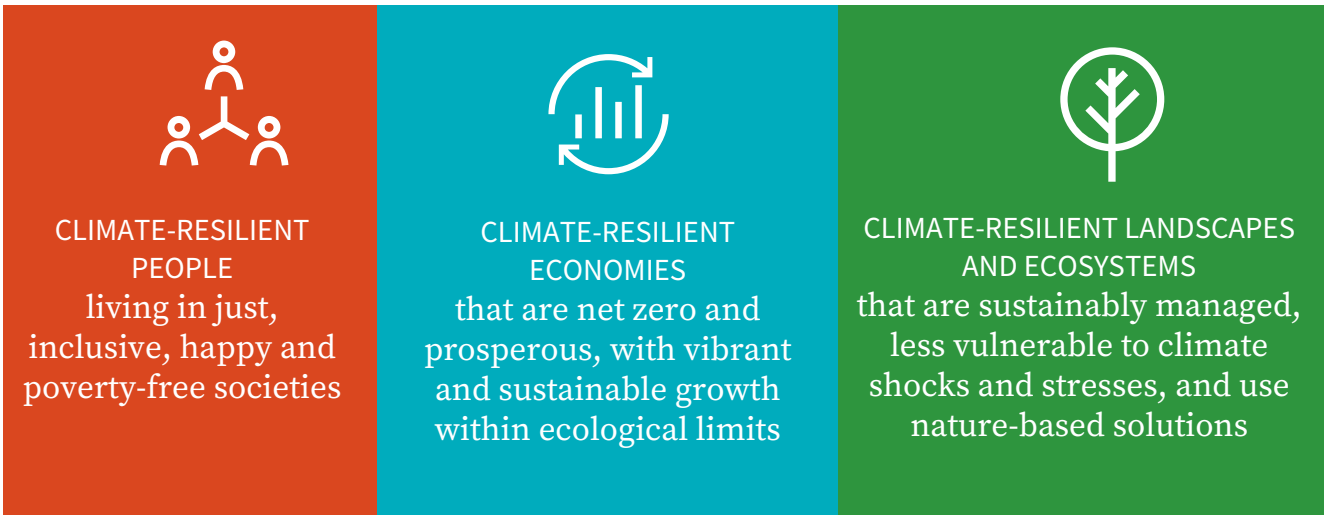
The Least Developed Countries (LDC) Initiative for Effective Adaptation and Resilience (LIFE-AR) promotes a shift in the way climate responses are delivered. The LDC-led, LDC-owned initiative drives a move away from 'business-as-usual' to a more effective and ambitious climate response, working to deliver the LDC 2050 Vision for a climate-resilient future.

LIFE-AR invests in country institutions, systems and capabilities to enable long-term access to climate finance. By employing a whole-of-society and whole-of-government approach, it aims to break siloed ways of working and build on government systems to deliver climate finance to the local level.

The high-level impact of the initiative is measured through three impact areas:

1. Climate-resilient people
2. Resilient economies, and
3. Resilient landscapes and ecosystems.

The LDC 2050 vision is for all least developed countries to be on climate-resilient development pathways by 2030 and deliver net-zero emissions by 2050.



Forming the basis of LIFE-AR, the LDC 2050 Vision establishes five 'Offers' and 'Asks'.

The LDC Offers outline how the LDCs intend to take more effective approaches to addressing adaptation, including ensuring that support reaches the most vulnerable communities, as well as improving governance, coordination, planning and capabilities. The LDC Asks invite development partners to engage with LDCs to help deliver the Vision.

To reshape the climate finance landscape and guide the Vision, the LDC group established a principles-based partnership. This invites development partners to work together on an equal platform for a more effective and ambitious response to the triple crises of climate change, nature degradation and poverty.

This partnership enables LDCs to determine their own climate priorities and use their own systems to address climate impacts. This 'Business Unusual' approach, which is driven by climate-vulnerable countries, offers new opportunities for reshaping power dynamics and delivering effective adaptation and resilience for the most vulnerable countries and communities.

The LIFE-AR Principles are:

1. Work together jointly on a shared and equal platform
2. Invest behind integrated, holistic and ambitious climate planning across whole of society
3. Commit to a shared goal of 70% finance flows supporting action on the ground in LDCs by 2030
4. Work at the pace of individual LDCs, aiming to build long term national and local institutions, systems, structures and capabilities, and
5. Leave no country and no one behind.

LIFE-AR ASKS AND OFFERS

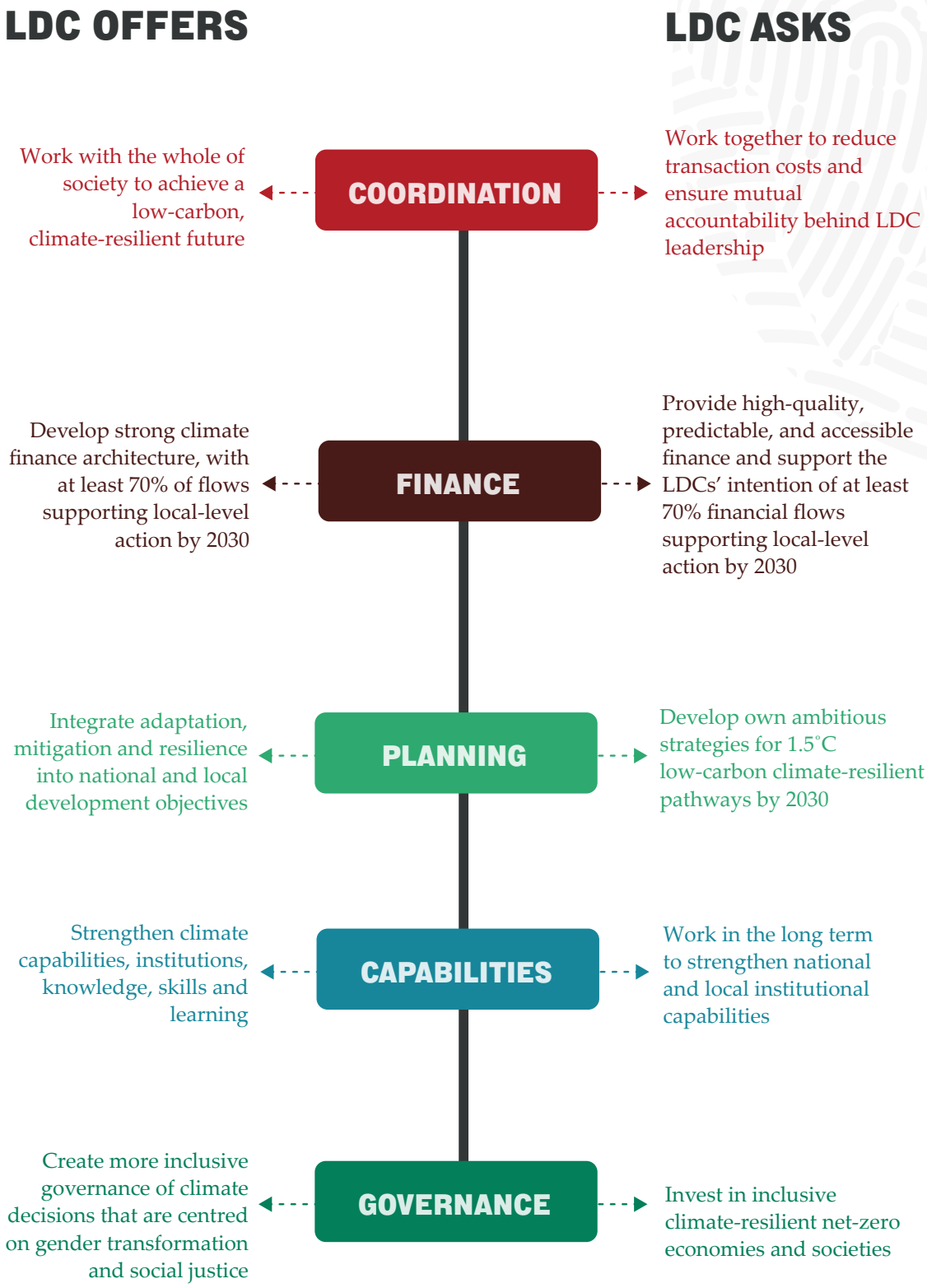


Figure 1 - The LDCs Asks and Offers

WHAT ARE DELIVERY MECHANISMS?

A mechanism describes a collection of processes or parts working together with a clearly defined goal or objective.

In the context of LIFE-AR, delivery mechanisms are the governance, planning and financial channels and systems that enable at least 70% of funds to flow to the local level for community-prioritised climate action. This is all delivered in a way that is aligned with the LDC Offers and Principles.

Delivery mechanisms can combine different activities carried out by public, private and civil society institutions as needed. And they can be used to support the building of climate-resilient people, economies or ecosystems, or a mixture of all three. Delivery mechanisms are therefore more than climate finance projects. They include the systems for how money flows to the local level, the institutional capabilities to support the processes and the way investment planning and design are implemented.

A critical component is the governance arrangements for how funds are flowed and allocated to the local level, including how planning is carried out, decision are made and by which actors and institutions carried out, decisions are made and by which actors and institutions.

The quality of this governance and decision making process is just as important as the quantity of finance flowing to the local level.

Mechanisms usually involve multiple components that work together. In a delivery mechanism, these might include:

- The systems and processes for delivering funding to the local level
- Institutions that facilitate participatory decision making, transparency and accountability
- Planning tools to identify climate risks and priorities, and
- Monitoring and evaluation tools to assess their effectiveness over time.

All these components can be aligned with the five LIFE-AR Principles, and in support of locally-led adaptation.

Figure 2 - A framework for categorising the components of delivery mechanisms

Delivery mechanisms seek to create or strengthen country systems for channelling 70% of climate finance to the local level and funding community prioritised investments. This means they can build upon existing initiatives or programmes, funds or country financing facilities – either adding a climate lens or more participatory elements where required to align with Business Unusual. Alternatively, if a gap has been identified, countries can establish a new mechanism, provided it works through existing country institutions.

Delivery mechanisms are designed to be scalable, with the potential to cover the whole country, while being integrated into existing platforms or committees for coordinating climate responses from the local to national level. They can also be used to channel sources of funding outside of LIFE-AR to the local level to build climate resilience.

THE LIFE-AR EVIDENCE REVIEW: TYPES OF DELIVERY MECHANISMS

In 2019, to inform the LDCs' selection and design of delivery mechanisms, LIFE-AR carried out a comprehensive global review of available evidence on adaptation programmes.

It summarised potentially effective adaptation and resilience-building initiatives that contribute to climate-resilient people, economies, landscapes and ecosystems.

REVIEW OVERVIEW

To shape the review, the LDC Advisory Group identified nine criteria drawn from the Paris Agreement to guide understanding of what works in delivering adaptation and resilience.[1] These were split into process-based criteria, which focused on how adaptation programmes operated, and outcome-based criteria, concentrating on intended and emerging results.

A review team looked at 90 initiatives submitted after a global public call for evidence, conducting interviews and holding six workshops with 400 experts and practitioners from around the world.

Initiatives covered a range of different landscape types, ecosystems and climate risks, including:

- Agricultural and pastoral (37)
- Coastal (19)
- Urban (11)
- Watershed (11)
- Forest (8), and
- Mountainous (4).

The reviewers searched for 'positive deviance', examples of initiatives that stood out for taking steps towards delivering on the criteria.

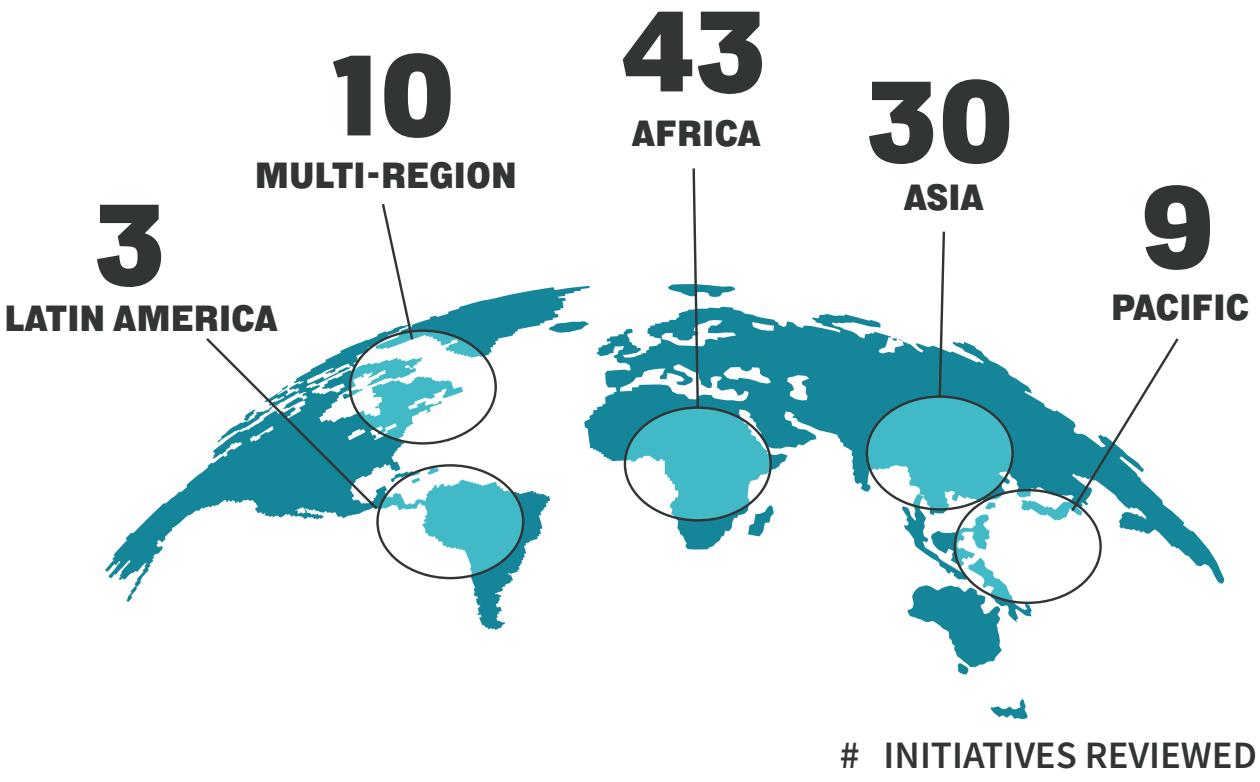


Figure 3 - The number of initiatives reviewed

1 Article 7, Paragraph 5 of the Paris Agreement states that "Adaptation action should be Country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of Indigenous Peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate."

PROCESS-BASED CRITERIA
Integrates scientific and technical knowledge within local knowledge systems
Supports vertical and horizontal integration
Supports delivery of global commitments (SDGs, Paris, Aichi)
Uses participatory design and transparency processes

OUTCOME-BASED CRITERIA
Targets drivers of climate vulnerability
Promotes far-sighted actions in the long term
Promotes far-reaching action at scale
Promotes social justice with gender equality and social inclusion
Is domestically driven and owned, and strengthens national institutions

REVIEW FINDINGS: THE DELIVERY MECHANISMS AVAILABLE

The evidence review categorised delivery mechanisms into three types, according to their contribution to delivering either:

- Climate-resilient people, or
- Economies, or
- Landscapes and ecosystems.

Combinations of different mechanisms are likely to be necessary, to drive the transformation needed to meet the LIFE-AR Vision.

A Maasai woman at Lake Magadi is sprinkling her feet with hot spring water, believed to be medicinal.
Credit: David Macharia/ Global Landsapes Forum

Local people digging out a water channel at Monga, Zambia. Credit: CIF Action

CLIMATE-RESILIENT PEOPLE: SOCIAL PROTECTION

Social protection mechanisms provide resources to individuals or households to reduce their exposure or sensitivity to a variety of risks. They can take many forms, including "conditional and unconditional cash transfers, social insurance, pensions, school feeding programmes, public works, employment guarantee schemes and fee waivers".[2]

The variety of social protection schemes — coupled with ever increasing technology options — offers plenty of scope for innovation and adjustment to country circumstances. When targeted, they can be particularly beneficial for women and girls who may struggle to access other public or private services.

Many countries already have some form of social protection initiative and are seeking to integrate adaptation and resilience into them.

Social protection schemes can have different objectives in relation to climate adaptation. Some focus on enabling people to absorb climate shocks, while others actively invest in long-term, sustainable and resilient livelihoods. The LIFE-AR evidence review indicates that social protection schemes work best when coordinated by a well-resourced government department or agency.

SHOCK-RESPONSIVE SOCIAL PROTECTION

Shock-responsive initiatives introduce early warning systems, finance and targeted systems to deliver resources to specific groups before, or immediately after, a shock occurs. This enables people to prepare for or respond quickly to a climate hazard.

ADAPTIVE SOCIAL PROTECTION

Adaptive social protection initiatives build on shock responsive schemes by including a long-term focus on adaptive and transformative resilience. They do this by promoting sustainable livelihoods that can withstand a variety of climate risks.

2 LIFE-AR (2019) Delivering our Climate Resilient Future: Lessons from a Global Evidence Review. LDC Group

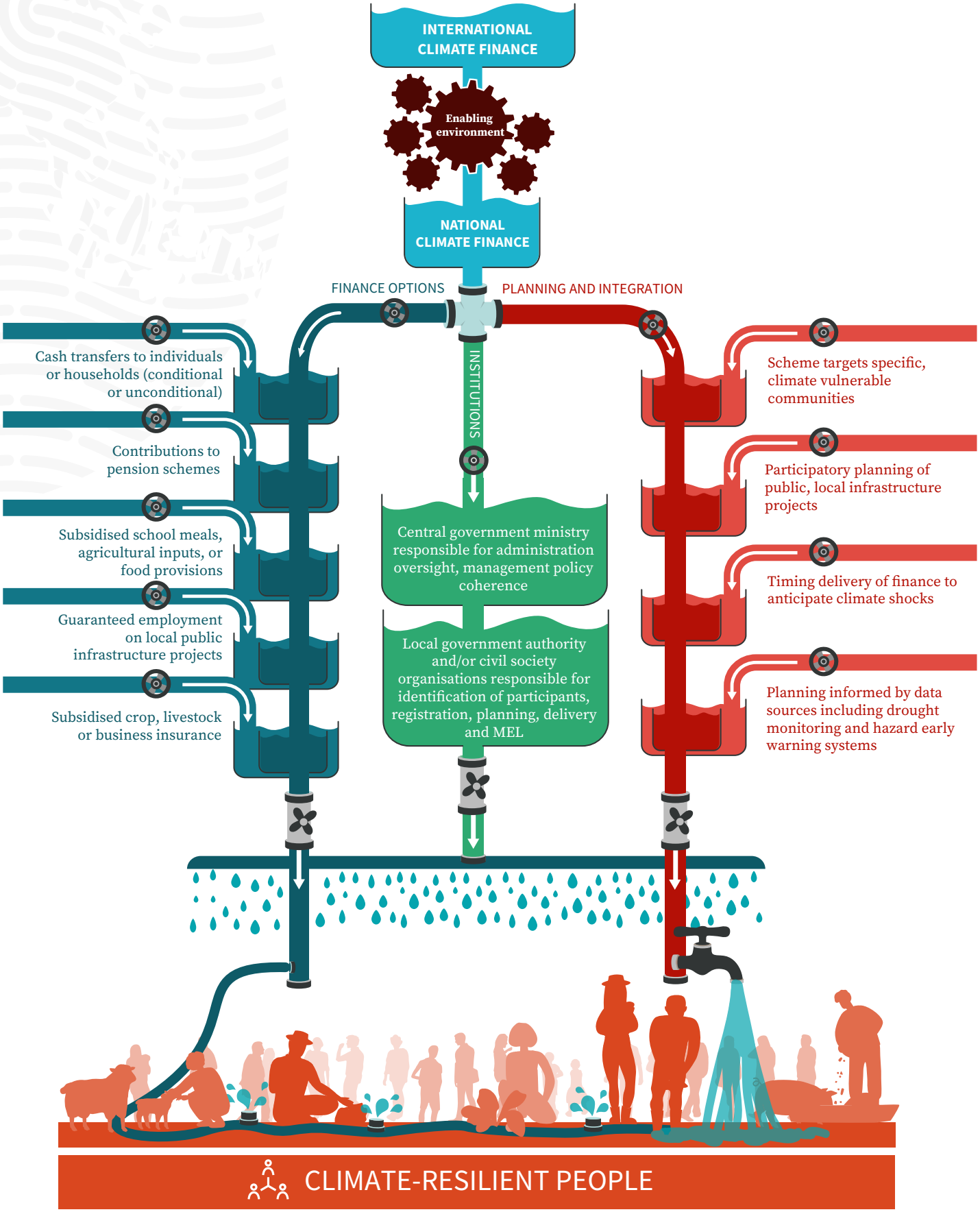


Figure 4 - Design options for delivery mechanisms that enable climate-resilient people. Mechanisms may choose to layer different options to ensure targeted and effective delivery of finance to the local level

Growing climate ready crops: bean diversity helps farmers tackle climate change. Credit: Georgina Smith / CIAT

CLIMATE-RESILIENT ECONOMIES: PRODUCTION SYSTEMS

These delivery mechanisms focus on establishing systems for reliable investment in climate relevant inputs, services, finance, technologies and information to businesses and producers.

The evidence review focused on initiatives relating to agriculture with a particular focus on Micro, Small and Medium Sized Enterprises (MSMEs) and their integration into value chains. Key activities included strengthening extension services, subsidising agricultural technologies, widening access to climate information services and capacity building for MSMEs on resilient supply chains. Creating conditions for private investment in MSMEs is an important component of these approaches.

Evidence suggests that these schemes work best when national platforms support policymaking that makes it easier for small and informal businesses to access finance, invest and grow in an uncertain environment. National platforms are inclusive, whole-of-society and whole-of-government committees and working groups, designed to coordinate climate policy and governance.

AGGREGATORS

Aggregation brings together individual smallholders to act as a group in the form of a cooperative. It also brings together different enterprises and institutions to act collectively in the marketplace. Aggregated groups are easier for buyers and investors to transact with, and to target with support for access to inputs, capital, technology and services.

Different types of finance can also be aggregated to de-risk investment. For example, public funds with those of impact investors, philanthropies and venture capital.

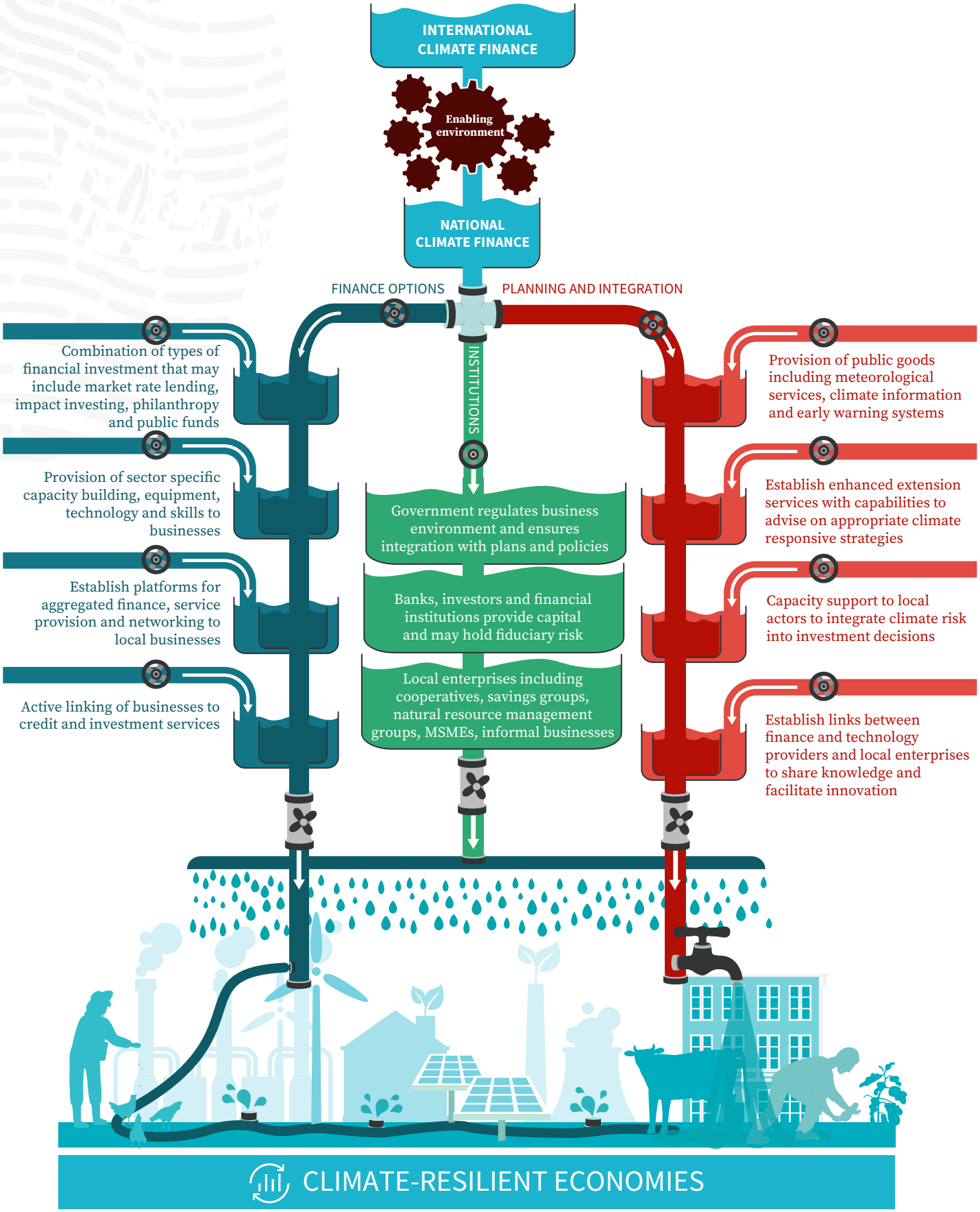


Figure 5 - Design options for delivery mechanisms that invest in climate-resilient economies

Farmer at an organic farm harvesting gourds and cucumbers. Credit: Marcel Crozet / ILO Asia-Pacific

CLIMATE-RESILIENT LANDSCAPES AND ECOSYSTEMS: LANDSCAPE MANAGEMENT

Landscapes and ecosystem-focused mechanisms concentrate on different environments such as rangelands, forests, water basins or coastal areas. Strengthening existing local institutional capability for shared governance and resource management is central to their approach. Such institutions may include community-led committees that combine local and Indigenous knowledge holders, community-based organisations, private sector and the local government.

Local institutions are empowered to facilitate and channel funding towards ecosystem-friendly investments that support and promote resilient livelihoods. These might include investments in water sources, soil quality improvements, forest and wetland restoration, and livestock health investments.

Multiple approaches to identifying and delivering investments have been piloted. Integration of local, Indigenous and expert knowledge, along with climate information through a participatory decision-making process is key. Community engagement in implementation processes such as procurement, monitoring, quality assurance and Monitoring, Evaluation and Learning (MEL) has improved transparency and accountability.

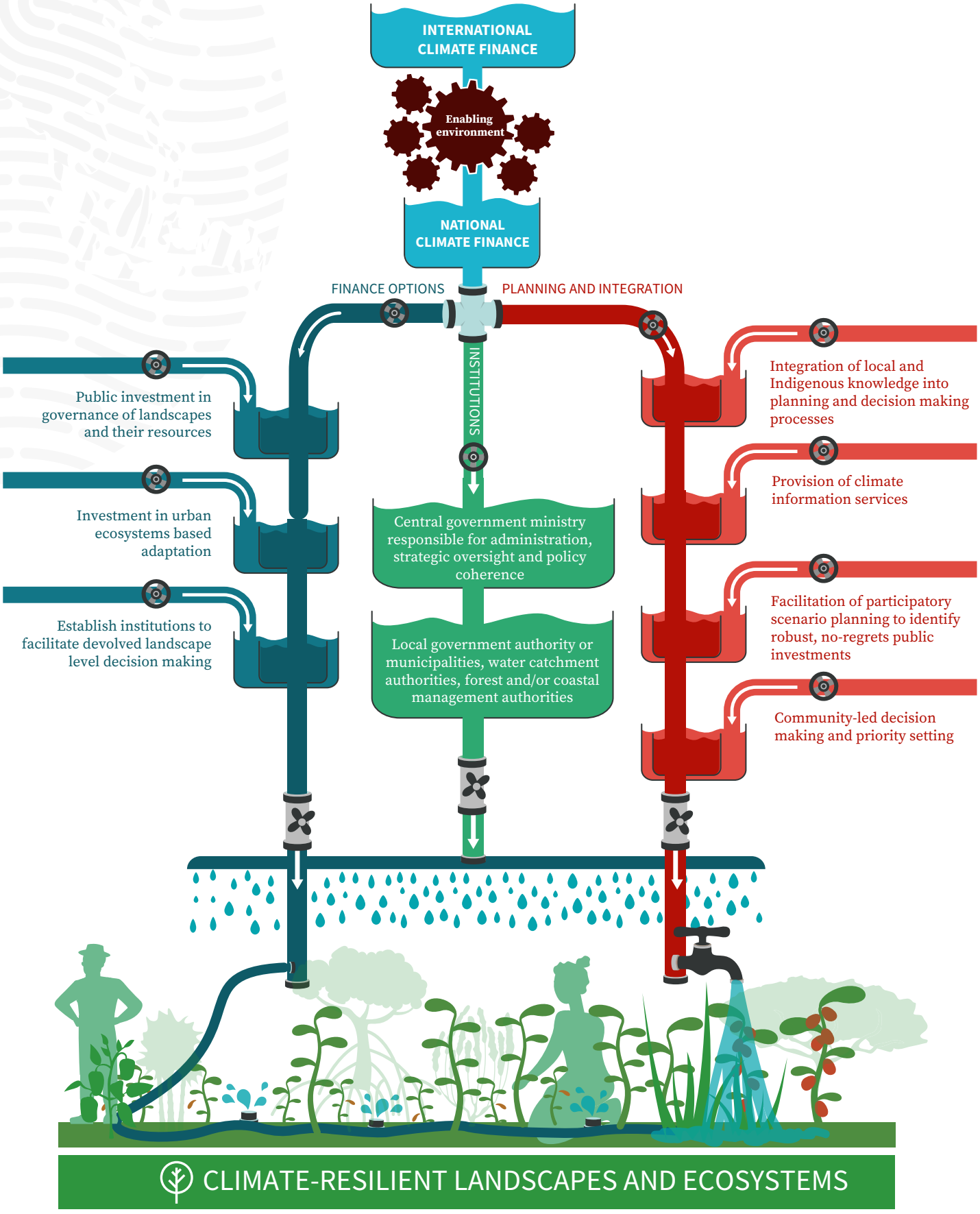


Figure 6 - Design options for mechanisms investing in climate-resilient landscapes and ecosystems.

THE STRENGTHS OF DIFFERENT MECHANISMS

Each type of delivery mechanism has different strengths that may influence a country's choice.

SOCIAL PROTECTION

- Targeted at vulnerable households and individuals, providing relatively quick benefits to recipients, typically by having more readily available cash, food or access to work
- There are significant overlaps and interaction of poverty and climate vulnerability. Social protection programmes can increase focus on climate risks.
- The national policy framework provides an enabling environment for social protection and climate adaptation links, with opportunity to strengthen inter-institutional coordination.
- The more direct model of transferring funds allows them to be quickly scaled up to anticipate climate risks, potentially reducing the need for humanitarian response following climate hazards
- Plenty of scope for integration of emerging new technologies, including mobile money, digital applications and early warning systems.

PRODUCTION SYSTEMS

- Emphasise the value of inclusive markets for goods and services, often leading to increased wages and productivity, and employment benefits for the wider community
- The need to create resilient supply chains incentivises collaboration of different stakeholders, including local and national government, private sector investors, entrepreneurs and communities
- Go beyond investment to capacity building, enhancing the flow of technology, information and finance to MSMEs
- Aggregation — where different types of finance are combined to reduce risk for investors — is central to scale these mechanisms.

LANDSCAPE MANAGEMENT

- Its holistic approach creates a wide range of potential benefits spanning sectors and formal political boundaries
- Broadly regenerative of ecosystems, benefitting people who live in and rely on those ecosystems for their livelihoods
- Emphasis on shared governance processes that are integrated into existing domestic systems of government help to strengthen local institutions
- Can be slower to create an impact, given the time needed to regenerate landscapes and to establish high-functioning shared governance processes.

Woman seeking shade in hot, dry conditions, Mozambique. Credit: CIF Action

SELECTING AND DEVELOPING A DELIVERY MECHANISM IN LIFE-AR

APPROPRIATE SUBSIDIARITY

Appropriate subsidiarity is the idea that decisions about social issues — such as building resilience — should be made at the lowest appropriate level.

The lowest appropriate level is determined by the extent to which local people access resources, the scale at which climate risks affect local people and livelihoods, the type of adaptation investment being considered, or the nature of certain formal or informal institutions in a local setting.

Delivery mechanisms can put subsidiarity into practice by creating inclusive, vertically integrated processes that identify the appropriate scale of resilience-building investments and engage local people at different levels.

Each LIFE-AR country independently decides which type of mechanism to pilot based on their country systems. Countries have taken different approaches to identifying their chosen mechanism, depending on their own internal decision-making context and processes.

The steps outlined below have been applied in different orders by different countries. Some countries have placed more emphasis on task team and technical working group discussions, others on wider multi-stakeholder processes. Each LIFE-AR country platform has chosen an approach deemed to be most appropriate to the context, while seeking to address the LIFE-AR Offers and Principles.

SITUATION ANALYSIS

A situation analysis involves desk-based research and interviews to review existing country climate policies and programmes, and explore how they fit with LIFE-AR Principles. The analysis, which could take the form of one or several studies, assesses the strengths and weaknesses of policies, institutions and governance processes. It can help to identify existing programmes or mechanisms relevant to the discussion of identifying a delivery mechanism that supports the LDC Offer. The analysis can be carried out internally, or by an external facilitator or consultant.

TASK TEAM OR TECHNICAL WORKING GROUP DISCUSSIONS

Country task teams and technical working groups responsible for taking LIFE-AR forward host internal discussions about what type of delivery mechanism is most appropriate to deliver the LDC Offers, based on existing country systems. These discussions may be used to identify options to present for discussion to a wider, multi-stakeholder group.

MULTI-STAKEHOLDER WORKSHOPS

A workshop or series of workshops are conducted involving multiple stakeholders to identify, shortlist and select a preferred delivery mechanism. Countries have chosen to organise these in different ways. For example, Burkina Faso opted for a longer five-day workshop to explore the situation analysis, consider mechanism options and develop a paper explaining the case for their chosen mechanism. Uganda opted for a series of shorter one to two-day workshops, each focusing on different issues.

Each workshop might have a different aim and audience, as follows. The first workshop — attended by relevant government ministries, departments and agencies, as well as civil society, academia and the private sector — might identify a wide range of possible mechanism options, aligned to the LIFE-AR Principles and LDC Offers. This workshop can take the form of an open 'brainstorm', or discussion of initial options developed and presented

by the LIFE-AR task team. Workshops may choose to draw on existing multi-stakeholder processes such as National Action Plans or Nationally Determined Contributions consultations.

A second workshop might be used to identify and shortlist mechanisms, exploring strengths and weaknesses of different options in more detail. Considerations might include cost, feasibility, possible links to existing programmes, and timing. For example, The Gambia used a workshop at this stage to apply a set of simple assessment questions to possible mechanisms to identify the most suitable option.

A further workshop could also be used to make a final decision, endorsed by multi-stakeholder representatives, including different government ministries, departments and agencies from local and national levels, civil society, academia and private sector. This can be a useful stage to discuss how the mechanism will be designed and developed, and what essential key features should be included.

CONSULTATION

Once the LIFE-AR country has chosen its delivery mechanism, it can develop the details of the mechanism's key features, its innovations to be introduced and tested, and how they integrate into existing and functioning systems. This process can be led by the technical working group or task team, a purpose-built working group, or by a group of individuals from government and/or local groups, that consult widely to develop a mechanism design document.

CASE STUDY: UGANDA

A young man shows Red Cross volunteers the damage to a house in Rwangara where rising water levels at Lake Albert caused. flooding. Credit: Climate Centre

Uganda selected a mechanism focused on resilient landscapes and ecosystems called the Devolved Climate Finance Mechanism. This kind of mechanism uses public financial management systems to channel funds to local government authorities, and participatory planning processes to invest in local resilience. Drawing on its use in Kenya, Tanzania and Mali, the country sought to adapt the mechanism to Uganda's particular institutional context, and build on recent legislation including Uganda's National Climate Change Act (2021).

The decision process included a series of workshops with members of Uganda's national platform. The national platform is a multi-stakeholder committee established to oversee LIFE-AR, chaired by the Ministry of Water and Environment, and including multiple government departments, CSOs and academia.

The first workshop introduced the different delivery mechanism options, with members identifying the most appropriate for development through LIFE-AR. Participants considered other ongoing programmes, such

as existing social protection mechanisms and investments in market development. They identified a mechanism focusing on landscapes and ecosystems as the priority, as other types of mechanisms were already well established. The opportunity to bolster locally-led landscape investment was also a significant positive.

A second workshop explored possible mechanisms for investing in landscapes and ecosystems. Participants looked in detail at the Devolved Climate Finance (DCF) approach, which is examined in the LIFE-AR evidence review, has been piloted in Tanzania and scaled out in Kenya. They decided to proceed with this as the national mechanism.

The national task team then developed a process for designing the mechanism. This included the establishment of a DCF working group. The task team engaged directly with senior levels of ministries including the Ministries for Finance, Ministry of Local Government, Ministry of Water and Environment, and National Meteorology Authority. This was to seek buy-in and gain approval for staff members to commit time to develop the mechanism. The working group included officials from these ministries but also representatives from local government with deep knowledge of local government planning systems, as well as academia and civil society.

A budget was developed to facilitate the design process. This included the creation and operation of four sub-committees and two residential workshops to develop, harmonise and agree the key features and innovations of the mechanism.

Uganda also conducted a learning visit to Kenya, where a version of the DCF approach known as the 'County Climate Change Funds' is currently being scaled out nationwide. This aimed to benchmark best practices of a functional and ongoing DCF approach, while also understanding the challenges. The lessons helped revise and finalise the key features of the delivery mechanism.

The Makerere University Climate Change Institute chaired the process as part of the Least Developed Countries Universities consortium on climate change (LUCCC), another LDC long-term initiative. A design note was developed explaining the key features of the mechanism, the rationale behind them and expected learning from the mechanism pilot.

Uganda is now using the mechanism to guide climate risk assessments and the selection of adaptation investments to be implemented in pilot districts.

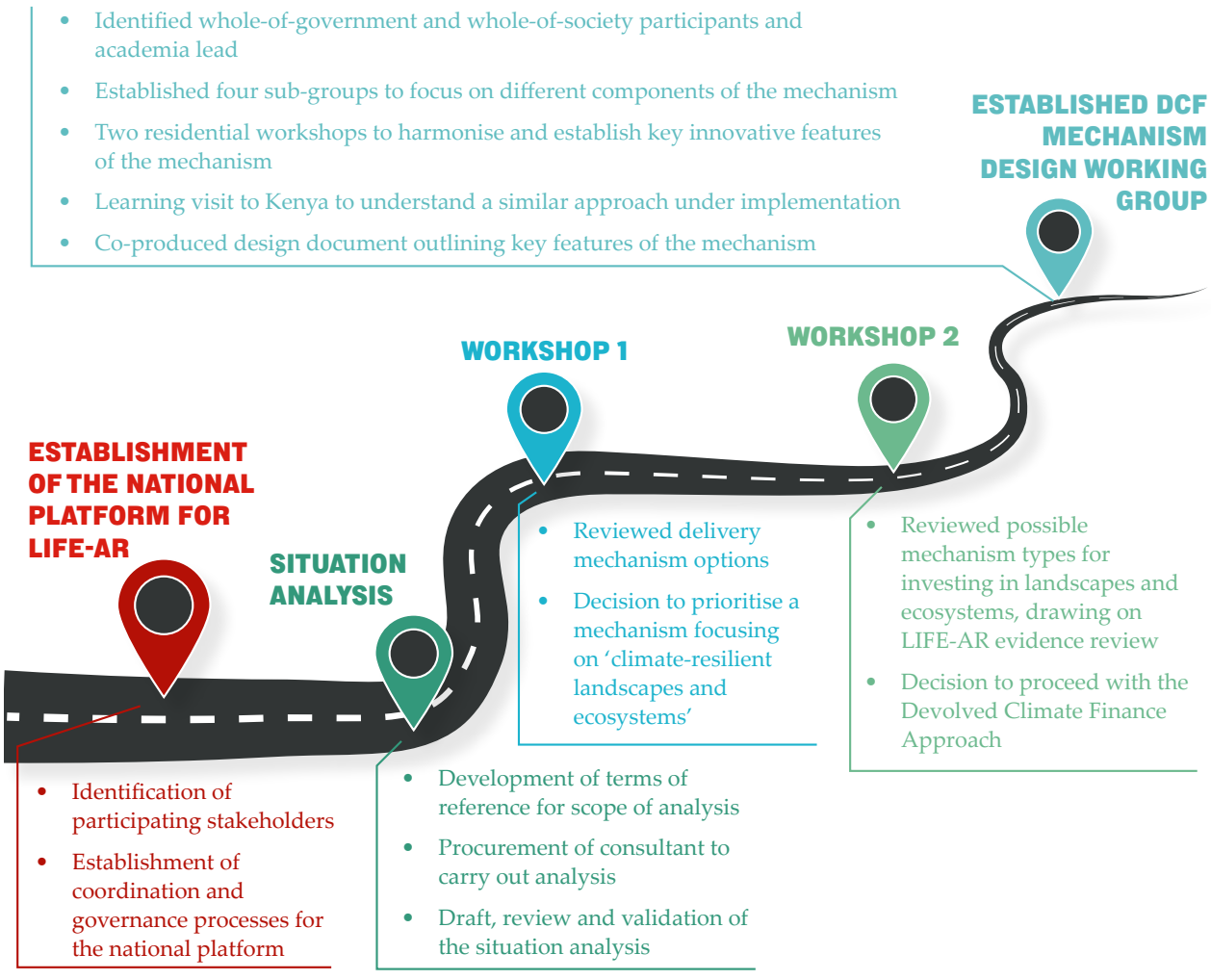


Figure 7 - Uganda's roadmap to identifying its chosen mechanism

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The Least Developed Countries Initiative for Effective Adaptation and Resilience (LIFE-AR) is a long-term LDC-led, LDC-owned initiative which aims to enhance climate resilience.

LDC CLIMATE CHANGE

LIFE-AR is in the interim hosted by the International Institute for Environment and Development (IIED) and supported by the UK International Development from the Foreign, Commonwealth and Development Office, Irish Aid, the Minister of Environment and Climate Change Canada and the US Department of State.

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