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**Research Report**

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## DEVOLVED FINANCE AND GOVERNANCE OF CLIMATE CHANGE ADAPTATION

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# ABSTRACT

Since the Paris Agreement in 2015, adaptation debates have increasingly shifted from focusing narrowly on finance to considerations around governance of programming, implementation and impact of support for climate change mitigation and adaptation. The character of finance for climate change adaptation and debates around it are currently in a time of potentially significant transition. Much focus of UNCC Conference of the Parties (COP) negotiations has been on agreeing on a common rulebook and on ensuring Global South access to finance for climate change action. These goals have now largely been reached and international attention is shifting to how and at what scale climate change actions take place and are governed. Most of the finance for climate change adaptation is currently used and governed at international and national levels. That being said, new international agendas and forms of cooperation are emerging with enhanced focus on devolved finance and governance of climate change adaptation. This report presents an overview of the state of climate change adaptation finance, with focus on devolved governance and use in Least Developed Countries (LDC).

This study illustrates the highly skewed character of how finance is shared between mitigation and adaptation and between middle-income countries and LDCs. It further addresses where finance for climate change adaptation is spent, who decides what type of adaptive action is financed and points to the challenge of devolved finance and governance of climate change adaptation in LDCs. What is lacking, however, is robust national level data on domestic use of adaptation finance, i.e. trustworthy data on whether finance for adaptation is used at the central ministry level or devolved to sub-national levels.

This report identifies and discusses four categories of actors that each in their own way advances the agenda for devolved finance and governance of climate change adaptation. First, a few influential international policy think tanks have spearheaded locally-led adaptation within international climate diplomacy, since 2017 under the umbrella of Global Commission on Adaptation (GCA). Secondly, the World Bank, through its Pilot Programmes for Climate Resilience (PPCR), has initiated devolved adaptation financing programmes, drawing on its past experience with performance based service provision. Thirdly, international and national civil society organisations have contributed to the advancement of the devolved finance for climate change

agenda through their community-based project-centred support. Finally, devolution has gained political momentum from national governments with elaborate national climate change adaptation policies and strategies.

Few systematic empirical studies have focused on the political economy of climate change adaptation at the local government level and fieldwork-based research is needed to fill this knowledge gap. Drawing on development literature and inspired by the local led adaptation principles, the study identifies and discusses seven governance aspects that are important for successful climate change adaptation at sub-national levels, namely: 1) subsidiarity; 2) integration in local government planning and decision-making; 3) spaces for public deliberation and participation; 4) devolution of decision-making over climate change; 5) decision-making informed by local knowledge and knowledge needs; 6) predictability of financial flows; and 7) supportive national policy environment.

This report uses these governance aspects to assess four promising models supported by international development agencies that aim to lay the foundation for devolved finance and governance of climate change adaptation. For three of the models (PPCR in Zambia, ALP in Ghana and CCCF in Kenya) the assessment is based on field visits, while assessment of the fourth model (LoCAL in Mozambique) is based on secondary literature only. It should be stressed that further research is clearly needed to provide a clearer and deeper understanding, including that of the political economy of local government implementation of climate change adaptation support.

Based on these assessments, this report seeks to draw conclusions and perspectives regarding the strengths and shortcomings of the models. The analysis reveals and proposes explanations for similarities as well as differences between the models. For example, LoCAL in Mozambique and CCCF in Kenya score high in terms of integration in local government planning and decision-making. The likely explanation is that these models most clearly take their point of departure in existing local government political and administrative institutions. Another example is ALP in Ghana, which is clearly better at creating and using sub-local government spaces for public deliberation and participation. The likely explanation is that this programme is facilitated by an NGO.



Finally, this report examines devolution within Danish adaptation financing as a case of how donors might approach decentralisation in their adaptation commitments and programmes. Recently, adaptation has received greater emphasis in Danish climate finance. The new international development strategy 'The World We Share' emphasises climate as one of three main focus areas, with specific goals for adaptation. Denmark's engagement in adaptation will, therefore, likely increase significantly in the coming years. The report ends with a brief discussion of the way forward and the presentation of recommendations for donor support to decentralised climate change adaptation.

# ABBREVIATIONS

|                 |   |
|-----------------|---|
| <b>CCCF</b>     | County Climate Change Fund  |
| <b>CIDP</b>     | County Integrated Development Plans   |
| <b>CIF</b>      | Climate Investment Funds  |
| <b>COP</b>      | Conference of the Parties   |
| <b>CPI</b>      | Climate Policy Initiative   |
| <b>CSO</b>      | Civil Society Organisation  |
| <b>DANIDA</b>   | Danish International Development Agency   |
| <b>FFU</b>      | Consultative Research Committee for Development Research                                    |
| <b>GCA</b>      | Global Commission on Adaptation   |
| <b>GCF</b>      | Green Climate Fund  |
| <b>ICF</b>      | International Climate Fund  |
| <b>IDS</b>      | Institute of Development Studies  |
| <b>IFAD</b>     | International Fund for Agricultural Development   |
| <b>IIED</b>     | International Institute for Environment and Development                                     |
| <b>INGO</b>     | International Non-Governmental Organisation   |
| <b>IPCC</b>     | Intergovernmental Panel on Climate Change   |
| <b>LDC</b>      | Least Developed Countries   |
| <b>LoCAL</b>    | Local Climate Adaptive Living   |
| <b>NABARD</b>   | The National Bank for Rural Development and Agriculture                                     |
| <b>NAFCC</b>    | National Adaptation Fund for Climate Change   |
| <b>NAP</b>      | National Action Plan  |
| <b>NAPCC</b>    | National Action Plan on Climate Change  |
| <b>NGO</b>      | Non-Governmental Organisation   |
| <b>ODA</b>      | Official Development Assistance   |
| <b>ODI</b>      | Overseas Development Institute  |
| <b>OECD DAC</b> | Organisation for Economic Cooperation and Development's<br>Development Assistance Committee |
| <b>REDD+</b>    | Reducing Emissions from Deforestation and Forest Degradation in<br>Developing Countries     |
| <b>PPCR</b>     | Pilot Programmes for Climate Resilience   |
| <b>SAPCC</b>    | State Action Plan on Climate Change   |
| <b>UNCDF</b>    | United Nations Capital Development Fund   |
| <b>UNFCCC</b>   | United Nations Framework Convention on Climate Change                                       |
| <b>WRI</b>      | World Resources Institute   |





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## DEVOLVED ADAPTATION FINANCE AND GOVERNANCE

Climate change adaptation has received heightened attention in recent years as climate change intensifies across the globe. Impacts on societies and up to COP15 and the Paris Agreement in 2015, the overwhelming focus in adaptation diplomacy was on securing financial commitments to adaptation. Only subsequently has the international climate response entered ‘a new era of adaptation implementation’ (Adaptation Watch, 2017:5), where international climate funds, governments and other adaptation actors seek to transform the billions of dollars being channelled to adaptation into outcomes on the ground. However, recent policy reports indicate that this crucial transition of finance to implementation is threatened by the highly centralised governance of international mechanisms for financing climate change adaptation. These reports call for more attention to how finance for climate change adaptation is governed and the scale at which it is used, and for enhanced adaptive capacity at national and sub-national levels (Adaptation Watch, 2017; Intergovernmental Panel on Climate Change (IPCC), 2018; International Institute for Environment and Development (IIED), 2018; Overseas Development Institute (ODI), 2018; World Resources Institute (WRI), 2019; Global Commission on Adaptation (GCA), 2019).



**As funding and implementation surge, it will be crucial to integrate devolved adaptation finance and governance for successful adaptation action.**

Attention to sub-national levels is noticeably emerging as a key aspect of ensuring effective adaptation implementation. This reflects the realities of climate responses. Climate change impacts are highly localised as they are dependent on the interplay between changing climatic, environmental and socio-economic conditions on the ground. Sub-national actors, such as municipalities and districts, are often best situated to formulate and implement adaptation interventions addressing such localised factors. There is, therefore, wide agreement among researchers that devolved adaptation – adaptation that takes place at sub-national levels – enables solutions and responses to be better tailored to local conditions.

Recognition of the significance of devolved adaptation comes in the midst of a shift in international climate finance towards adaptation. The last several years have seen calls for a balance in funding to adaptation and mitigation (Paris Agreement), a call from least developed countries for funding to sub-national levels (Vision,



2050), record-breaking pledges to adaptation at COP26, and proposals for marked increases in adaptation finance going forward. Despite rich countries' failure to mobilise USD 100 billion a year in climate finance by 2020, financing continues to increase, with a growing portion channelled to adaptation. As funding and implementation surge, it will be crucial to integrate devolved adaptation finance and governance for successful adaptation action. This report, therefore, provides an introduction to devolved adaptation finance and governance, as well as the status of current efforts.

We first explore the benefits of devolved adaptation finance and governance and gives a brief overview of current devolved adaptation finance. Next we presents an overview of the current landscape of devolved adaptation finance and governance efforts, outlining main drivers of devolved finance and governance with focus on key actors and their differing approaches. We then focuses explicitly on the governance of devolved adaptation, proposing seven factors that can be used to operationalise and evaluate devolved adaptation governance. These factors are then used to analyse existing models of devolved adaptation finance and governance. Thereafter we take a donor perspective using the case of Denmark. It illustrates how devolution can be assessed within donors' adaptation commitments, despite limited available information on sub-national adaptation finance. Finally, the report provides recommendations for ways forward in devolved adaptation finance and governance.

## **WHY DEVOLVED ADAPTATION?**

As noted above, climate change hazards are highly localised. The same climate variation will have different impacts in different environmental settings, e.g. the same reduction in rainfall will have different implications in a temperate versus arid area. Climate change impacts are also highly dependent on local socio-economic conditions, such as economic activities, infrastructure, demographics, etc. For instance, an arid area with irrigation may be less affected by rainfall variation than one without; while one agricultural area might be less affected than another agricultural area. Take rural Africans who depend on natural resource management for their livelihood. A recent World Bank report identifies them as most exposed to climate change hazards and most likely to fall into poverty because of low adaptive capacity (Hallegatte et al., 2016). Poorly serviced parts of the urban populations are also at risk (Filho et al., 2018). Yet, African rural natural resource managers are

highly heterogeneous, and so are the necessary adaptation responses. It is, therefore, essential that adaptation interventions are tailored to local contexts, and devolving adaptation to sub-national levels is the main way of doing this.

Research points to two key aspects of devolved adaptation: devolved finance and devolved governance. The first merely ensures that funding reaches lower administrative levels, closer to the affected populations on the ground. The second aspect, devolved governance of adaptation finance, is also crucial, but has received less attention. Devolved adaptation governance allows decision-making to take place in the districts and communities affected, rather than at higher administrative levels. Evidence suggests that localising the way we plan, finance and deliver climate, nature and poverty solutions will not only result in more just solutions because of proximity to those most affected and with the least voice, but also 'deliver more integrated, context specific, agile, efficient, democratic and accountable solutions to and for the poorest and most excluded people' (Soanes et al., 2020). In the recent Evaluation of Danish Support to Climate Change Adaptation (2020), devolved adaptation was shown to improve outcomes for marginalised and vulnerable groups, who are often most affected by climate change. Overall, devolved adaptation finance and governance enables local input and accountability, supporting locally-relevant interventions that can better address needs on the ground. This effectively makes adaptation efforts more sustainable and cost-effective by contributing more directly to creating resilient communities (Fedele et al., 2019; Funder et al., 2020; Friis-Hansen, 2017; IIED, 2017; Taylor, 2015; Caldecott, 2021). Cost-effectiveness is in itself a key consideration in a situation of increasing need and limited funding. While devolution does not guarantee improved outcomes, it is a crucial foundation for more effective, relevant and inclusive adaptation efforts.

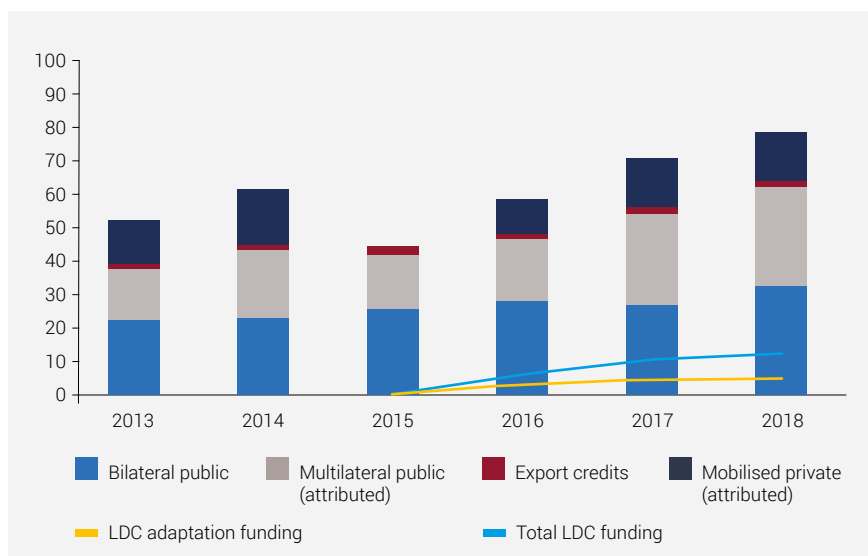
However, despite the importance of sub-national actors being recognised in international climate policy, they are not necessarily active in adaptation or supported by international adaptation mechanisms. The IPCC, for instance, emphasises the importance of sub-national actors such as cities and local governments in their 'whole of government approach' for fostering climate action (OECD, 2006; IPCC, 2018). While some urban local governments are highly active and influential in adaptation responses, for instance through city networks such as C40 Cities, many rural local governments are less so. Sub-national rural institutions in Africa, for instance, in many cases experience a disconnect between climate change adaptation needs among poor residents dependent on environmental livelihoods and access to international finance for climate change adaptation.

Furthermore, despite the significance of devolved adaptation finance and governance for outcomes, devolved climate change adaptation is not widely practised. Studies conducted on the topic indicate that in LDCs only a small proportion of climate change finance, including adaptation finance, is disbursed at the sub-national levels in the least developed countries (Soanes et al., 2000b; Soanes 2021a). This is within funding flows that are themselves grossly inadequate to address current and future adaptation needs in LDCs (Puig et al., 2016; UNEP et al., 2020).

## STATUS OF CLIMATE CHANGE ADAPTATION FINANCE

The most recent report on the provision of climate finance towards the United Nations Framework Convention on Climate Change (UNFCCC) target of USD 100 billion annually by 2020 is provided by the OECD<sup>1</sup>. The overview shows that climate finance provided to developing countries reached USD 78.9 billion in 2018, up from USD 71.2 billion in 2017, see Figure 1. This was primarily provided by bilateral public finance and multilateral public finance attributable to developed countries (USD 62.2 billion) – also called public climate finance – while the rest was provided through export credits and private mobilised funding.

**Figure 1. Climate finance provided and mobilised (USD millions)**



Source: Climate finance provided and mobilised 2013-2018 (OECD, 2020) in USD millions (accessed from <https://www.oecd.org/environment/cc/Key-Highlights-Climate-Finance-Provided-and-Mobilised-by-Developed-Countries-in-2013-18.pdf>).

**We can estimate that in 2018 about USD 4.8 billion was used for climate change adaptation in the LDCs. What is much more uncertain is the proportion of these funds that was devolved to the sub-national levels of governance.**

The Copenhagen Accord and the subsequent Paris Agreement agreed to provide funds 'balanced' between mitigation and adaptation while having a specific focus on the LDCs and Small Island Developing States. While the term 'balance' is contested, the most commonly used definition is a 50/50 split between mitigation and adaptation. Of the USD 78.9 billion climate finance in 2018 only 21% was targeting adaptation while 70% targeted mitigation and 9% cross-cutting (OECD, 2020). Danish international commitments to climate change were closer to meeting the 50/50 balance with 21% for adaptation, 25% for mitigation and 54% for cross-cutting projects from 2013 to 2017, though it is unclear to what extent cross-cutting commitments achieved a balance between adaptation and mitigation (Funder et al., 2020).

**IIED reports the share of climate finance which reaches the local level to be 10%. This figure has been referred to by many, most recently in the new Oxfam Shadow Report<sup>2</sup>, but is in fact a very rough estimate based on only 7% of climate change finance between 2003 and 2016, that was channelled exclusively through International Climate Funds.**

In addition, the UNFCCC goal of prioritising the Most Vulnerable Parties (LDCs and Small Island Developing States) in adaptation finance is far from being met. Instead, 84% of global climate finance was invested in middle-income countries (and unallocated investments) in 2018, while only 15% of the financing was channelled to the LDCs, together amounting to USD 12 billion (OECD, 2020). This imbalance is an effect of the fact that 70% of total climate finance is allocated to mitigation (as mentioned above) and that this primarily goes to middle-income countries. The significant global imbalance between adaptation and mitigation financing is, however, less evident in funding to Most Vulnerable Parties. In 2018, 41% of finance to LDCs was focused on adaptation objectives, representing 6% of total climate change finance (OECD, 2020).



Robust national level data on whether adaptation finance was used at the central ministry level or devolved to sub-national levels is not generally available. Based on the above analysis of OECD data, we can estimate that in 2018 about USD 4.8 billion was used for climate change adaptation in the LDCs. What is much more uncertain is the proportion of these funds that was devolved to the sub-national levels of governance. While discussions on devolved finance for climate change adaptation have been gaining increasing traction, actual figures on commitments or disbursements of such funding are very limited. This reflects the fact that the two main climate finance tracking systems (common principles used by Multilateral Development Banks and Rio markers used by bilateral development organisations) do not monitor where finance for climate change adaptation is spent below the nation state (recipient). Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD DAC) data includes some additional information on 'channel of delivery' which describes the initial recipient (central government, public corporation, developing country Non-Governmental Organisation (NGO), university, etc.) but gives no information on in-country on-lending, for instance from the central government to sub-national levels.

IIED reports the share of climate finance which reaches the local level to be 10%. This figure has been referred to by many, most recently in the new Oxfam Shadow Report<sup>2</sup>, but is in fact a very rough estimate based on only 7% of climate change finance between 2003 and 2016, that was channelled exclusively through International Climate Funds. It is, therefore, not representative of total climate finance flows. (See Annex 1 for a detailed discussion of methodology used by IIED, Climate Policy Initiative (CPI) and International Fund for Agricultural Development (IFAD) to estimate devolved climate finance.) IIED notes that this figure is indicative, at best, of the small proportion of international climate funds within total climate finance and that this is due to a lack of relevant data and in-depth analysis of all project documents reviewed. Despite this, the figure has been widely used in reference to climate finance generally, without acknowledgement of its methodological limitations. The 10% figure should therefore be used with caution. While it gives an indication of limited devolved funding within a subset of climate finance, it does not provide a sound basis for claims on the overall climate finance landscape or for broader policy recommendations.



**CITY HALL**



## DRIVERS OF DEVOLVED ADAPTATION FINANCE AND GOVERNANCE



## **WHO'S AGENDA?**

Over the past five years, there has been a shift in focus among actors involved with climate change adaptation. In particular, during the past two to three years, the overarching focus on access to additional finance has broadened, with increased focus on process of implementation, including issues of governance, accountability, sustainability and cost-effectiveness (Global Commission on Adaptation, 2019).

Research points to the importance of establishing systems for the transfer of funds and decision-making from national to local scales of governance that build on transparency, participation and accountability (Robertson, 2015). To enable financial transfers to local institutions, such principles need to be aligned with existing decision-making processes of public planning and budgeting developed by national governance institutions. This can take many forms in practise. Approaches to devolved climate finance can differ in terms of their institutional anchoring and accountability as well as in sub-national governments' actual influence in decision-making and control over finance and implementation. The various approaches to devolved climate finance are also driven by existing institutional arrangements as well as vested interests, and this has given rise to competing ideas of to how devolved climate finance should best take shape.

Next, we have identified four broad categories of actors that, each in their own way, contribute to developing a model for devolved finance and governance of climate change adaptation. These include influential international policy think tanks, Multilateral Development Banks, international and national civil society organisations and national governments. Below, we outline each category of actor and the approach they put forward.

## **CATEGORIES OF ACTORS AND DEVOLVED ADAPTATION MODELS**

A small number of influential international policy think tanks, including IIED, WRI, ODI and GCA, have carried out policy studies on climate change adaptation commissioned by development organisations. In consultation with stakeholders within international development organisations and NGOs, and since 2017 under the umbrella of Global Commission on Adaptation, these organisations have sought to merge lessons from development cooperation with climate change adaptation. This process culminated in 2020 with the definition of Locally Led Adaptation as action planned to address the direct and indirect impacts of climate change that is

decided by local actors (e.g. community-based organisations, citizens groups, local/municipal government and local private sector) rather than being decided exclusively at higher levels. Eight principles for Locally Led Adaptation were developed by the Global Commission for Adaptation and formally accepted at the Climate Adaptation Summit on 25 January 2021. The proposed principles draw on good practise lessons from development cooperation, with emphasis on devolution of finance and decision-making based on a principle of subsidiarity, capacity of meso-level institutions for inclusive governance and project implementation, flexibility in planning relate to risk, and donor coordination (WRI, 2020; Patel et al., 2020). This is not simply because benefits accrue at the local level, but so that local people and their communities have agency over how their development and climate adaptation take place (Tye et al., 2020).

The Multilateral Development Banks have also been initiators of devolved adaptation financing programmes. The Pilot Programmes for Climate Resilience (PPCRs), a suite of national climate change adaptation programmes funded via the global Climate Investment Funds (CIF), with approximately USD 1.2 billion so far allocated in loans and grants to adaptation activities in 28 developing countries, are particularly noteworthy. The funds are sourced from 14 donors – including Denmark – and managed by the World Bank with additional support from the regional development banks. The PPCRs have two overall aims:

- to support specific national and local climate change adaptation activities
- to strengthen climate responsive development planning at national and sub-national levels. A key feature of the latter is the mainstreaming of climate change adaptation into development planning, and – in some countries – support of frameworks for harmonisation and coordination of climate finance at national and sub-national levels

For the past 10 years, international and national civil society organisations, such as Care International, DanChurchAid and Oxfam Ibis, have approached climate change adaptation in a project-centred fashion, addressing bottom-up initiatives for climate change adaptation rather than necessarily pushing for structural changes to enhance decentralised financial flows and decision-making (Care International, 2014; Oxfam International, 2010).


Finally, a small group of national governments with elaborate national climate change adaptation policies and strategies is also driving the agenda of devolved finance and governance of climate change adaptation. The group includes Kenya with its County Climate Change Fund and India's implementation of the National Adaptation Fund for Climate Change. The latter is illustrated in Box 1 below.

### **BOX 1. INDIA'S NATIONAL ACTION PLAN ON CLIMATE CHANGE**

In 2008, the Government of India formulated the National Action Plan on Climate Change (NAPCC) which emphasises adaptation to climate change impacts within eight determined missions.<sup>3</sup> Following the NAPCC objectives, India's individual state governments have each prepared a State Action Plan on Climate Change (SAPCC). The SAPCCs are divided into sector foci<sup>4</sup> to enable national financial support to state level adaptation activities. In 2015, the National Adaptation Fund for Climate Change (NAFCC) was set up as India's National Implementing Entity for the Adaptation Fund under the Kyoto Protocol to scale-up adaptation finance for interventions at the sub-national state. The NAFCC supports concrete state-driven adaptation projects that are not covered through other national programmes and which must aim to build resilience within SAPCC sectors and NAPCC mission areas in vulnerable states. The NAFCC can, for instance, fund mainstreaming of technological innovations. The National Bank for Rural Development and Agriculture (NABARD) was organised to be Implementing Entity for agriculture on behalf of NAFCC. With this role, the NABARD is responsible for a long list of activities along the flow of adaptation finance, including the identification and formulation of projects from SAPCCs, appraisal and disbursement, monitoring and evaluation of stakeholders and state governments, and overall mainstreaming of the implemented projects (NABARD, 2020). As executing entities, Ministries and Departments of the National Government of India and State Government Departments can access funds from the NAFCC through the submission of proposals. With permission from the NAPCC, implementation of all projects can be undertaken at the national, community or transboundary levels (Gol, 2008).

These four categories of actors engage with devolved finance differently. There are important differences in how they envision devolution taking place and through which sub-national institutions. The principles of Locally Led Adaptation formulated by the international climate and development organisations form a normative guideline of good practice within the project cycle. The proposed principles do not adequately address climate change adaptation as a political process with conflicting interests within nation states. This is, for example, reflected in principle three that

calls for externally funded projects to invest in 'building and strengthening local institutions' to govern local adaptation action, without reference to the political economy of existing institutions, including conflicting interests between central ministries, local government structures, local civil society groups and others.



**The principles of Locally Led Adaptation formulated by the international climate and development organisations form a normative guideline of good practice within the project cycle. The proposed principles do not adequately address climate change adaptation as a political process with conflicting interests within nation states.**

In contrast, the World Bank's PPCR programme, the United Nations Capital Development Fund (UNCDF) Local Climate Adaptive Living (LoCAL) programme and the national policies in Kenya and India all seek to integrate climate change adaptation into the government's existing decentralised administrative and political structures. The World Bank PPCR programme works through the Ministry of Finance to facilitate national political ownership and ensure implementation through the existing local government structures. This is in contrast to the UN international climate funds and bilateral development organisations that work through the UNFCCC national focal point that in many countries is the Ministry of Environment. The most promising model is perhaps the Kenyan County Climate Change Fund that enable meso-level elected government structures (Counties) that meet a set of capacity requirements to apply for finance for climate change adaptation.

In addition to the actors described above, it is important to note that attention to devolution is also increasing within international climate funds. Climate funds have been critiqued for the difficulty of accessing funding, especially for sub-national and smaller actors. In the Green Climate Fund, for instance, this has led to a Direct Access Mechanism. However, entities must be accredited by Green Climate Fund (GCF) to apply for funding through this mechanism. To get accredited, an entity must be nominated by their country's National Designated Authorities/focal points (NDAs), go through a vetting process, receive GCF Board approval, and enter relevant legal agreements. The entity can only then submit funding proposals for GCF-supported projects and programmes through the Direct Access Mechanism. This process is, of course, difficult for small, poorly resourced local entities.



The GCF is currently exploring new modalities for devolving finance and decision-making that address some of these hurdles. One of these is the Enhancing Direct Access (EDA) Pilot, which aims to increase devolution of decision-making and promote a stakeholder-driven approach. Contrary to other GCF funding windows, specific sub-projects submitted under the EDA window do not have to be included in the original funding proposal or approved by the GCF to receive funding. Approvals are instead determined in-country according to preapproved selection criteria (GCF, 2021a). One such EDA pilot has been running in Namibia since 2016 and provides access to funding for community groups through the pilot programme.<sup>5</sup> In addition, GCF is implementing a new Sub-national Climate Fund Global (SnCF Global) which seeks to 'catalyse long-term climate investment at the sub-national level for mitigation and adaptation solutions through a transformative financing model' (GCF, 2021b). However, this is designed primarily to attract private investment, which will likely limit its utility for certain kinds of adaptation needs. Other climate funds are also exploring devolution, for instance the Adaptation Fund has also established an Enhanced Direct Access Mechanism. These efforts within international climate funds underline the extent to which devolution of climate finance and governance has come onto international climate agendas.







# GOVERNANCE OF DEVOLVED ADAPTATION FINANCE



Since the Paris Agreement in 2015, adaptation debates have increasingly shifted from focusing narrowly on finance to considerations around governance of programming, implementation and impact of support for climate change mitigation and adaptation. During the past two to three years there has been increasing criticism of the highly centralised and technical character of support for climate change adaptation (GCA, 2019), which has recently led to calls for support to be more localised (Patel et al., 2020; WRI, 2021; Friis-Hansen, 2020; Adaptation Summit, 2021). These calls are a response to a concern over poor effectiveness of climate change adaptation interventions that are formulated and implemented by centralised and technocratic actors who are situated outside local communities. From the point of view of the communities, such interventions are often seen to be financially biased, as only a small proportion of finance is used at the local level. Further, the focus and priorities of such interventions do often not reflect aspirations and priorities at the community level (Soanes, 2020b). From an aid effectiveness point of view, the centralised governance and inadequate flow of financial resources to sub-national levels raise questions over relevance, sustainability and cost-effectiveness.

Many of these issues have been taken up in the principles for Locally Led Adaptation (LLA), endorsed during the online international Adaptation Summit in early 2021.<sup>6</sup> The endorsed principles include:

- **a principle on subsidiarity** (devolving decision-making to the lowest appropriate level)
- **three common principles of good governance** (ensuring transparency and accountability; investing in local capabilities to leave an institutional legacy; flexible programming and learning)
- **a statement of climate change knowledge** (building a robust understanding of climate risk and uncertainty)
- **two principles relating to finance** (providing patient and predictable funding that can be accessed more easily; collaborative action and investment)
- **and a broad normative development aim** (addressing structural inequalities faced by women, youth, children, disabled, displaced, indigenous peoples and marginalised ethnic groups)

The LLA principles address many important considerations in relation to devolved adaptation. In the following discussion we build on them, further elaborating on governance considerations specifically. Governance considerations – for instance, regarding institutional processes and decision-making or knowledge and input – are critical for how adaptation moves from finance to implementation, and for adaptation’s prospects for success. We, therefore, have selected seven governance considerations critical for robust devolved adaptation, drawing on the extensive work on governance found in international development literatures, elaborated below.

## **SEVEN GOVERNANCE CONSIDERATIONS FOR DEVOLVED ADAPTATION**

### **1. Subsidiarity**

Does the adaptation governance allow for decision-making at the lowest appropriate level? Here we explore in more detail the enabling factors for first principle of LLA, i.e. devolving adaptation to the lowest appropriate level. In so doing, we also incorporate the third principle of predictable and accessible funding, as this cannot be separated from the governance factors.

Subsidiarity is defined in research literature as the way to organise each task to the lowest level with the capacity to conduct it satisfactorily. The justification for subsidiarity is its perceived political and economic advantages for enhancing representation and efficiency, as well as its inherent practical value of decision-making being directly informed and directed by expertise on the ground (Marshall, 2008; Stoa, 2014). The concept of subsidiarity differs from decentralisation and local control through its explicit recognition of the need for self-organisation concurrent with a need for centralised coordinating institutions in order to meet demands on externalities, economies of scale or inadequate capacity (Pritchett and Woodcock, 2004, Garrick et al., 2012). The principle of subsidiarity emphasises that complex decision-making is often best done as close as possible to the issue at hand, while also recognising that coordination at higher levels may be needed to govern wider socio-ecological systems, address externalities and ensure economies of scale (Garrick, 2018; Marshall, 2008; Soanes et al., 2021).

So, what is the implication of subsidiarity for climate change adaptation? The assignment of responsibilities according to the principle of subsidiarity may foster adaptive capacity to climate change by enabling the advantages of decentralising

some responsibilities (e.g. sustainable natural resource management that requires inclusive governance and local participation to succeed) to be achieved at the same time as reaping the advantages of centralising other responsibilities (e.g. plant breeding for drought tolerance). Subsidiarity is opposed to a one-size-fits-all mentality where policymakers look to assign all responsibilities to the same (either centralised or decentralised) level (Ostrom, 1999, 2012).

Adaptive action on one scale interacts with adaptive action on other scales and can either interact positively with or constrain local priorities (Adger et al., 2005). Scales of adaptation are, thus, not independent from each other, and adaptation action is embedded in social and political processes within the wider political economy. Climate change adaptation actions on the local scale are frequently guided by policy decisions taken by higher level units of governance, i.e. national government or international development organisations. Other adaptive action on the local scale takes place to enhance opportunities of well-being without specific reference to climate change hazards (Thornton and Manasfi, 2010).

While some fieldwork based studies on local governance of climate change adaptation have been carried out in sub-Saharan Africa (Oshbahr et al., 2010; Christoplos et al., 2016; Funder et al., 2017; Friis-Hansen, 2016, 2017; Rasmussen, 2018; Rasmussen et al., 2018; Dapilah et al., 2020) there is an empirical and theoretical research gap in our understanding of how cross-scale interactions influence and shape climate change governance and action (Rasmussen, 2019). Lessons could be learned from studies of scale and institutions within the considerable natural resource governance literature (Ostrom, 2001).

## **2. Integration in local government planning and decision-making**

Is the adaptation governance mechanism integrated with planning and decision-making structures of local governments? While previously often considered irrelevant or incompetent, experience from both adaptation and mitigation efforts have increasingly shown that integration with democratically elected local government mechanisms can be a key means to ensure that adaptation is institutionally sustained and politically accepted at local levels (Duchelle et al., 2019; Friis-Hansen, 2017; Wunder et al., 2020). Important, too, are mechanisms for airing grievances, conflict resolution or an ombudsman function, as adaptation choices have significant impacts on lives and livelihoods and can prompt controversy and disagreement, and in some cases negative outcomes.



The majority of current finance for climate change adaptation is governed by strategic plans from international agencies or National Adaptation Programmes of Action (NAPA) at the national government level. NAPA was mandated under COP7 in 2001 and comprehensive national adaptation plans have been developed, often with support from UNDP consultants. NAPAs have, however, been criticised for centralising governance of climate change adaptation in line ministries with resulting strong bias on technical solutions and limited devolution through local government structures (Agrawal, 2012; Mamouda, 2011; Pramova et al., 2012; Friis-Hansen, 2017). Many African governments have, through the NAPAs, reduced the role of local government to implementation units for climate change adaptation interventions, with no or limited influence during formulation and design of projects. The situation is not better for internationally financed projects that frequently work through national NGOs or set up new project institutions during implementation. Few systematic empirical studies have yet focused on the political economy of climate change adaptation at the local government level.

### **3. Spaces for public deliberation and participation**

Does the adaptation governance mechanism provide spaces for public deliberation and participation? While local government mechanisms are key, their operation typically requires supplementary spaces for public deliberation that allow the public to develop proposals and ideas, or articulate grievances and claims vis-à-vis local (and national) decision-making structures. Such spaces can be 'invited' by local decision-makers or other actors (e.g. hearings, consultations or more permanent participatory structures), or 'claimed' by citizens themselves (organised campaigns and petitions, or collective organisation for self-driven activities) (Cornwall, 2017; Cornwall and Coelho, 2007).

Cornwall (2008) makes a useful distinction between invited and claimed spaces of political influence, arguing that invited spaces are 'structured and owned by those who provide them, as compared to (claimed) spaces that people create for themselves' (ibid: p. 275). The 'Participation, Inclusion and Social Change' cluster at Institute of Development Studies (IDS) Sussex explored empirical cases of claimed spaces of political influence and found that while they hold great potential for ownership and legitimacy of decisions, only few local development programmes are governed through spaces that people have create for themselves (Gaventa, 2005).

## BOX 2. LESSONS FROM PARTICIPATION IN DEVELOPMENT

Three general lessons can be drawn from the development literature that can be useful for unpacking participatory elements in Locally Led Adaptation.

**The first lesson** is that in much of the mainstream support for participatory governance, participation is framed narrowly as a methodology to improve project performance, rather than seen as a process of fostering critical consciousness and decision-making capacity and, thereby, nurturing inclusive citizenship (Friis-Hansen and Kyed, 2007). This depoliticised and technical approach to participatory development, practised by many development programmes, led critics to argue that participation can be used as a form of political control by obscuring local political differences and a means of gaining control over development activities (Cooke and Kothani, 2001). The subsequent debate argued for repoliticisation of participation and for external development actors to pay closer attention to the power politics of participatory spaces. Over the past decade, many international and national civil society organisations have engaged in advocacy for locally inclusive approaches to doing development.

**The second lesson** is to acknowledge that even the best designed participatory programme is likely to be challenged as long as the democratic spaces for participation are not created by people themselves but rather outside agents of change. One may identify three challenges for socially inclusive and participatory local development: who's knowledge; who's institutions; and who's process (Friis-Hansen et al., 2018). The first challenge is how we think about knowledge: who sets the initial agenda and defines the challenge(s) around a community. In most cases it is outside experts who are seen as possessing all the relevant knowledge for development. This assumption undermines a much needed dialogue between partners, who together may possess knowledge that is complementary. The second challenge is to decide whose institutions to use. Institutions include not only the organisational structures but also the 'rules of the game' that guide human interactions (North, 1990). Development agencies are permeated by both formal and informal institutions, and communities also have their institutions. The institutional challenge of participation arises when formal institutions of development dominate in the engagement with informal institutions of communities. The third challenge for community development practise is to think about participation from the other direction, or, how to become participants in other people's processes. Participation, as typically understood and practised, retains a legacy of a top-down view of social change: it invites 'communities' into development processes and development decision-making, it respects their voices and their presence, but it asks them, in effect, to leave their knowledge and institutions at the door (Eversole, 2010).

**The third lesson** is that participatory approaches are vulnerable to elite capture, where influential groups within the local community are able to mobilise and dominate the agenda to further their own self-interest. Empirical studies have, however, shown that it is highly context specific whether elite capture is detrimental to the rest of the community (Bardhan and Mookherjee, 2006), or results in better community management leading to better resource allocation for all, including the poor (Dasgupta, 2009).

#### **4. Devolution of decision-making over climate finance**

Does the adaptation governance mechanism allow local decision-making over the use of adaptation finance? A common issue in adaptation efforts is that even if activities are integrated in local institutional mechanisms, the financing comes with 'strings attached' from global or national levels that determine the scope of its use. To avoid local institutions becoming mere implementers for governments and donors, they must have real control of climate finance (Soanes et al., 2019).

Considerations on meaningful devolution can draw on extensive development experience and debates around decentralisation. These point to different approaches to devolution. On the one hand, there can be de-concentration, where funding is devolved to lower administrative levels, while decision-making remains at higher administrative levels. In this model, local actors become implementers, as discussed above. On the other, there can be more meaningful decentralisation, where funding and decision-making are both devolved to lower levels. Such decentralisation does not necessarily entail pluralistic or inclusive local decision-making but is a prerequisite for it. In many cases, devolution may lie somewhere between full decentralisation of funding and decision-making and mere de-concentration. For instance, national policies may provide a framework within which there is room for flexibility for sub-national decision-making. Approaches may also differ from sector to sector within each country and are closely linked to the specific institutional and political environment. For successful climate change adaptation, discretion of sub-national actors over funding can support context-relevant interventions and approaches.

## **5. Decision-making informed by local knowledge and knowledge needs**

Is the adaptation governance mechanism informed by local knowledge and locally articulated knowledge needs? Locally generated knowledge is often critical in identifying adaptation options that are durable and that do not lead to maladaptation. This can include use of dedicated participatory tools to capture existing local knowledge (Roth and Rist, 2012), or joint knowledge production with met. services and/or research (Kettle et al., 2014; Rasmussen et al., 2018; Tengö et al., 2014).

IPCC, through its consolidated global reports and 'science speak to policy' approach, has become the focal point and source of inspiration for mainstream climate change adaptation projects. While recognising indigenous knowledge to enhance adaptation, IPCC's emphasis on climate science has reduced the impotence of non-scientific knowledge to a question of local perceptions. This is, for instance, evident in the way the IPCCs work is characterised by unidirectional communication of scientific experts outwards, rather than reciprocal communication that also invites contributions from other forms of experts and expertise, for instance, local knowledge (Dudman and de Wit, 2021).

This is unfortunate, as knowledge about how the socio-economic and political context is needed if adaptive action is to successfully address social vulnerability. The principal source of such information is vulnerable people themselves, who can also contribute to identifying which changes could help them to adapt. Mechanisms to secure local input, and that of the marginalised and most vulnerable particularly, therefore, will be critical to foster project-based interventions, as well as local decision-making institutions and processes generally.

## **6. Predictability of financial flows**

Is the adaptation governance mechanism based on consistent and predictable climate finance flows? Experiences from other areas of climate financing, e.g. Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD+), have highlighted the risk of having financing come from a multitude of fragmented pilot efforts (Duchelle et al., 2019). While initial pilot efforts and start-up funding can be a good way to test approaches, long-term funding is vital. This is because a litmus test for adaptation will be whether it can become integrated into government institutions, planning and processes. Adaptation is increasingly an ongoing aspect of governance and development around the world, and short-term projects are at risk of offering only a short-term, patchwork response.

Predictability can not only offer long-term engagement, it can also support the institutionalisation and capacity building necessary to support a more holistic, sustainable response.

Predictable funding can come from various sources. It may derive from national government budgets, through domestic resource mobilisation in the form of taxes. However, as underlined in global climate agreements, those least responsible and most affected should receive financial support to address climate impacts. Global funding schemes, for instance climate funds, are set to play a central role in providing adaptation finance. This support should include long-term (i.e. projects beyond four to five years) funding possibilities.

### **7. Supportive national policy environment**

Is there a supportive national policy environment for devolved adaptation governance? Locally based adaptation does not mean that national policy frameworks are irrelevant. On the contrary, ensuring that national policies and strategies support locally led adaptation is critical. This could, for instance, be outlined in nationally determined contributions or laid out in national adaptation policies and plans, as well as wider policies on decentralisation or relevant sector policies, e.g. water, agriculture or forestry (Barrett, 2015; Funder et al., 2017).

When considering sub-Saharan Africa, many countries undertook decentralisation reforms in the 1990s and the resulting sub-national administrative and political structures are today typically responsible for service provision, e.g. health and education, along with physical infrastructure, agriculture and natural resource management. The Climate Change and Rural Institutions research programme (Consultative Research Committee for Development Research (FFU), 2012-2015) – among the first to examine climate change governance at district and sub-district (sub-county/ward/municipal) levels – revealed a strong need for climate change action as a response to climate change hazards and a need for local government to become engaged in mediating the conflicting priorities for climate change adaptation between different socio-economic groups. The CCRI studies also revealed that local governments often had neither incentives nor financial resources to become involved (Funder et al., 2017; Friis-Hansen, 2017).





A photograph of an office environment. In the foreground, a woman with dark hair, wearing a patterned top, is seated at a desk and writing on a document. To her left, a man in a light blue shirt and tie is also seated at a desk, looking towards the camera. The desks are cluttered with stacks of papers, folders, and office supplies. In the background, tall wooden shelving units are filled with numerous stacks of files, organized by color (green, yellow, pink, red). A blue banner with white text is overlaid on the upper portion of the image. The lighting is bright, coming from overhead fluorescent fixtures.

## MODELS OF DEVOLVED ADAPTATION FINANCE AND GOVERNANCE



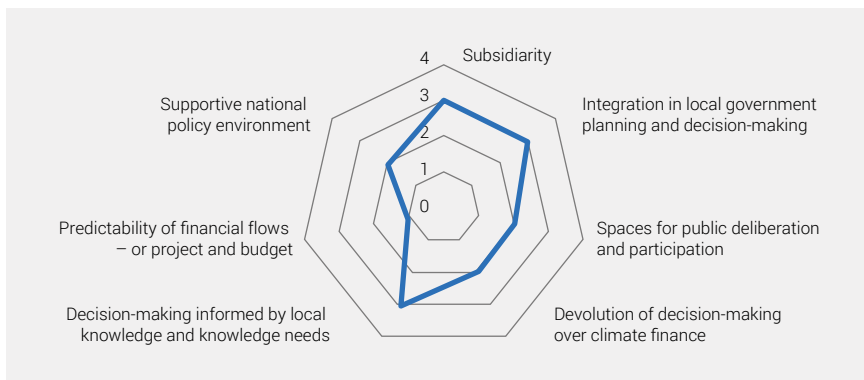
In the following we attempt to analyse the different models of devolved governance and finance of climate change adaptation described previously using the seven principles introduced previously. As devolved governance and finance of climate change adaptation is a relatively new trend, there is, as yet, limited experience to draw on. These analyses are, therefore, initial assessments on the basis of current implementation, in some cases particular to a case country. The four examples represent different models for implementing support for devolved governance and finance of climate change adaptation.

## PILOT PROGRAMMES FOR CLIMATE RESILIENCE, ZAMBIA

PPCR activities in Zambia form part of the broader suite of 28 PPCR country programmes funded under the Climate Investment Funds and administered by the World Bank. While the PPCRs have been strongly donor-driven (Seballos and Kreft, 2011; Shankland and Tambote, 2011), there is some evidence that the programmes have helped trigger climate finance planning and coordination at national and sub-national levels (Bird et al., 2019; ITAD, 2019).

The Zambian activities, in particular, have been promoted as an example of successful PPCR implementation (CIF, 2018; Soanes et al., 2020). In the Zambian programme, local governments in 25 target districts are supported in mainstreaming climate finance into district development plans, with associated training of local government staff. In conjunction with this, grants are provided to specific adaptation projects formulated by stakeholders at district, ward and community levels.

**Figure 2. Assessment of devolved governance and finance in PPCR, Zambia**



Source: Scoring intervention using principles of devolved governance and finance of climate change adaptation.

Using the seven suggested governance suggestions for adaptive action, Figure 2 and Table 1 provide an assessment of to extent to which the PPCR Zambia.

**Table 1. Explanation for assessment of devolved governance and finance in PPCR, Zambia**

| Principle  | Analysis  | Score    |
|--|---|----------|
| <b>Subsidiarity</b>  | The PPCR approach emphasises subsidiarity by seeking to embed adaptation planning in local government structures (so-called District Councils), and by providing opportunities for elected representatives and citizens to propose specific adaptation projects at sub-district (ward and community) levels. Within this arrangement decision-making power does, however, lie strongly with the District Councils, who approve all proposals from ward and community levels. Activities at sub-district levels are restricted to proposing individual projects, meaning that broader planning and decision-making at these levels is not carried out. | <b>3</b> |
| <b>Integration in local government planning and decision-making</b>    | The PPCR project design emphasises development of district level adaptation plans. However, donor criteria for what can be supported and what cannot have, in some cases, complicated integration with planning (e.g. district development plans cover the entire district but PPCR funding can only be provided to climate vulnerable communities).  | <b>3</b> |
| <b>Spaces for public deliberation and participation</b>                | These have been limited to individual project proposals in which citizens and community groups can participate, sometimes with technical support by NGOs recruited as service-providers. Broader spaces for public deliberation on 'what kind of adaptation do we want here' have, to some extent, been provided through community groups. Opportunities for expressing grievances beyond the formal planning process have, however, not been emphasised.   | <b>2</b> |
| <b>Devolution of decision-making over climate finance</b>              | De facto devolution of decision-making over climate finance within the Zambian PPCR is restricted by several factors: (i) a strong reliance on the external CIF funding which means that local actors must plan within the timeframes and scope of PPCR funding and WB preferences; (ii) requirements for both district and sub-district level funding and planning proposals to be approved at higher levels, including provincial and national government authorities and the national PPCR structure.  | <b>2</b> |
| <b>Decision-making informed by local knowledge and knowledge needs</b> | Community proposals provide some scope for inclusion of local knowledge, and some NGOs and government staff seek to facilitate this on their own account. However, there is no targeted effort to draw on traditional knowledge.  | <b>3</b> |
| <b>Predictability of financial flows</b>                               | There is strong dependency on PPCR funding. Although other donor financing may replace PPCR funding in some areas, it is unclear how and whether funding will be sustained through government mechanisms once the CIF funding terminates.   | <b>1</b> |
| <b>Supportive national policy environment</b>                          | Zambia has a long-standing decentralisation policy, and the PPCR support, in principle, builds on this. In practise, roll-out of the broader decentralisation policy has been slow, and despite recent progress, national level ministries relevant to adaptation remain reluctant to relinquish power and funding in many sectors.   | <b>2</b> |

Source: Fieldwork in Zambia by authors and review of PPCR project documents.

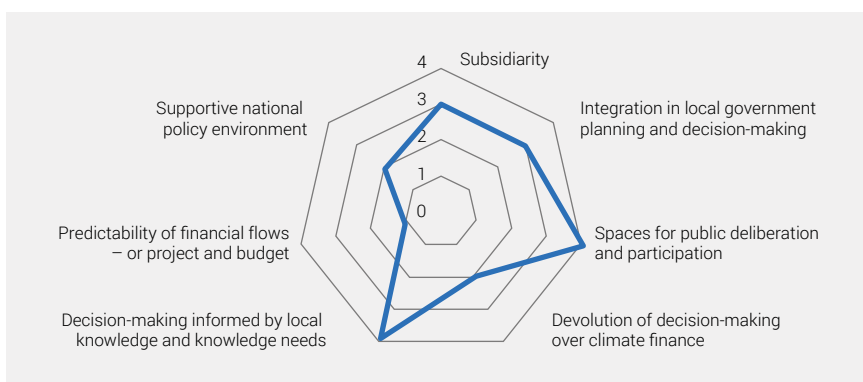
## ADAPTATION LEARNING PROGRAMME, GHANA

The CARE-initiated Adaptation Learning Programme (ALP) supported local adaptation in farming and pastoralist communities in Ghana, Niger, Mozambique and Kenya from 2010–17. The programme emphasised multi-stakeholder collaboration and sought to provide spaces for joint decision-making that involved communities, local government institutions and CSOs (CARE, 2015; Percy, 2014).

In Ghana, the ALP sought to establish devolved frameworks for community-based adaptation in two districts, including:

- Participatory district level planning, whereby communities and district planners and technical staff conducted joint analysis and mapping of climate change hazards, vulnerabilities and risks, as well as associated poverty/livelihoods implications. This led to incorporation of adaptation activities and indicators in district development plans and preparation of community adaptation action plans
- Participatory scenario planning, whereby meteorologists, community members and technical government staff conduct seasonal climate forecasting in support of farmers' planning. The forecasts combine local and expert knowledge
- Training of 'community monitors', responsible for monitor and communication on adaptation progress in communities and for conducting advocacy on behalf of communities vis-à-vis lo-cal governments and government technical staff

**Figure 3. Assessment of devolved governance and finance in CARE-supported community-based adaptation framework, Ghana**



Source: Scoring of intervention using principles of devolved governance and finance of climate change adaptation.



The ALP model in Ghana, thus, featured strong inclusion in devolved adaptation planning (Rasmussen and Friis-Hansen, 2017; Rasmussen et al., 2018). Challenges included a tendency for local political elites to maintain final authority in decision-making and limited control over and predictability of a sustained flow of finance. See the assessment of the ALP program in Figure 3 and table 2 below.

**Table 2. Explanation for assessment of devolved governance and finance in CARE-supported community-based adaptation framework, Ghana**

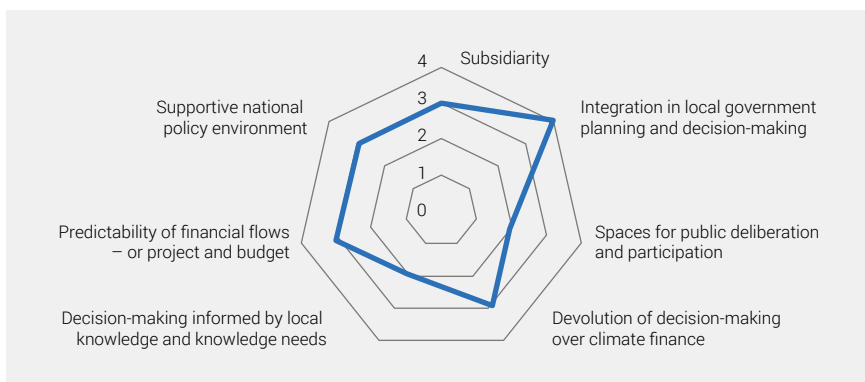
| Principle  | Analysis  | Score    |
|--|---|----------|
| <b>Subsidiarity</b>  | Innovative institutional mechanisms for devolved adaptation planning and implementation at local government and community levels. Due to large areas, local government representatives are not always well positioned or sufficiently knowledgeable to decide on community planning.  | <b>3</b> |
| <b>Integration in local government planning and decision-making</b>    | Community adaptation plans and participatory scenario planning is incorporated in district development plans and mainstreamed into budgeting process. District Assembly planning units capacitated to address and incorporate adaptation planning.  | <b>4</b> |
| <b>Spaces for public deliberation and participation</b>                | Joint spaces for community/ Civil Society Organisation (CSO)/local government analysis and debate on adaptation planning. Community monitors trained to foster communication, monitor progress and perform advocacy role a community representatives vis-à-vis local and central government actors.   | <b>4</b> |
| <b>Devolution of decision-making over climate finance</b>              | Self-generated funding for adaptation through e.g. micro-credits, but external climate financing dependent on donor funding and priorities.   | <b>2</b> |
| <b>Decision-making informed by local knowledge and knowledge needs</b> | Participatory scenario planning includes use of traditional and experience-based knowledge of seasonal change and impacts on farming, combined with insights and data from meteorologists and technical specialists. Joint plans fed into district planning and agricultural extension activities.  | <b>4</b> |
| <b>Predictability of financial flows</b>                               | Uncertain. In principle, governments should take over funding but adaptation financing so far remains limited and donor- dependent.   | <b>1</b> |
| <b>Supportive national policy environment</b>                          | National climate policy supports devolved adaptation planning and guidelines developed for incorporating adaptation in local government development plans. However, de facto fiscal decentralisation lags behind and decision-making authority remains centralised on many aspects of adaptation (Rasmussen et al., 2018; Sova et al., 2017). | <b>2</b> |

Source: Draws on DIIS field research in Ghana by authors (Rasmussen & Friis-Hansen, 2017; Rasmussen et al., 2018) and review of ALP project documents.

## LOCAL CLIMATE ADAPTIVE LIVING, MOZAMBIQUE

The UN Capital Development Fund's (UNCDF) Local Climate Adaptive Living (LoCAL) Facility (Dinshaw and McGinn, 2019) offers a practical mechanism to integrate climate change adaptation into local governments' planning and budgeting systems, increase awareness of and response to climate change at the local level, and increase the amount of finance available to local governments for climate change adaptation. It provides performance-based climate resilience grants that add additional finance for climate change adaptation to existing local government infrastructure projects. Financial resources are combined with technical and capacity-building support that allow local government authorities to align adaptation concerns with established decision-making processes and public planning and budgeting cycles. Compared with PPCR, LoCAL is relatively small in terms of funding, with a total of USD 84 million mobilised during 2014–2019, but has, nevertheless, operated in 280 local governments in 14 countries and has established a viable model for locally led adaptation (UNCDF, 2020).

**Figure 4. Assessment of devolved governance and finance in LoCAL, Mozambique**



Source: Scoring intervention using principles of devolved governance and finance of climate change adaptation.

Figure 4 illustrates the extent to which the LoCAL approach in Mozambique is in sync with the seven suggested governance suggestions for adaptive action and additional explanation for the assessment can be seen in Table 3.

**Table 3. Explanation for assessment devolved governance and finance in LoCAL, Mozambique**

| Principle  | Analysis   | Score    |
|--|--|----------|
| <b>Subsidiarity</b>  | LoCAL scores relatively high on subsidiarity, reflecting a strong devolution of financial resources and governance from central to local government. However, while power and resources are devolved to local government councils, the level of inclusion of sub-local government stakeholders is unclear in the LoCAL model and unevenly implemented in the case of Mozambique.           | <b>3</b> |
| <b>Integration in local government planning and decision-making</b>    | The LoCAL model enables full integration of climate change adaptation in local government planning and decision-making. The LoCAL model is guided by principles of performance-based service delivery, which provide local governments with clear incentives to integrate climate change adaptation concerns in their overall planning.  | <b>4</b> |
| <b>Spaces for public deliberation and participation</b>                | LoCAL has no specific provisions for public deliberation and participation at sub-local government levels. In the case of Mozambique this has resulted in few joint spaces for interaction with respect to adaptation planning between local government and community members/civil society organisations in adaptation planning.  | <b>2</b> |
| <b>Devolution of decision-making over climate finance</b>              | Decisions to climate-proof existing infrastructure or add additional resilience measures to planned infrastructure investments are devolved to local government. Financial support is, however, subject to compliance with LoCAL framework.  | <b>3</b> |
| <b>Decision-making informed by local knowledge and knowledge needs</b> | Decision-making informed by local knowledge and knowledge needs scores relatively low because the LoCAL programmes' strong focus on infrastructure resilience that emphasises the technical knowledge of local government bureaucrats.   | <b>2</b> |
| <b>Predictability of financial flows</b>                               | Local governments predictability of financial flows is relatively high, as access to financial support is based on principle of performance-based grants that provide clear parameters that allow 'good' performers continued or even enhanced funding. It is, however, uncertain if similar levels of financial support will continue when the LoCAL project terminates.                  | <b>3</b> |
| <b>Supportive national policy environment</b>                          | A strong and positive interaction exists between the LoCAL programme and the ongoing political process of decentralization reforms in Mozambique. However, the parliaments passing of central elements in the decentralization reform has been subject to delays, indicating uneven political support. Further the practical implementation the decentralization reform is lacking behind. | <b>3</b> |

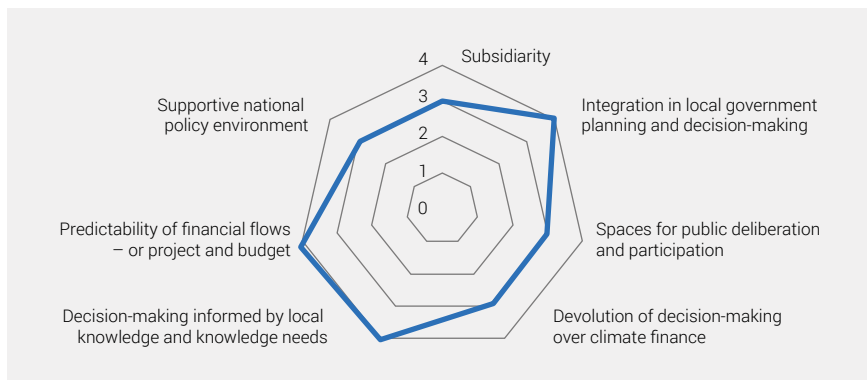
Source: Review of LoCAL project documents.

## COUNTY CLIMATE CHANGE FUND, KENYA

Mainstreaming of climate change adaptation and mitigation into Kenya's government planning, budgeting and development objectives was first introduced in 2010 with the National Climate Change Response Strategy and operationalised with the National Climate Change Action Plan I (2013–17). With its 2015 Intended Nationally Determined Contribution, Kenya's government extended mainstreaming efforts into its development blueprint, Vision 2030, including its Medium-Term Plans (MTPs) up until 2022. In 2016, the Climate Change Act was passed, integrating adaptation considerations across all sectors – from development planning and budgeting to decision-making and implementation – for all levels of government. 'Greening' initiatives started to be implemented in diverse sectors, including manufacturing, agriculture, infrastructure and health. Also in 2016, the national Climate Change Fund was established, and the National Adaptation Plan (NAP) was set up, requiring counties to develop certain finance procedures and track adaptation actions. All counties are now obliged to mainstream climate information<sup>7</sup> into local governance structures, including their County Integrated Development Plans (CIDPs). Doing so opens the door to receive funds from Kenya's County Climate Change Fund (CCCF) for adaptation measures that are locally founded while in line with national climate change policies and development plans. That said, the move from planning to implementation of these structural requirements is more challenging in some counties compared to others, which has currently stalled country-wide implementation of the CCCF (WRI, 2020). However, experience from the five pilot counties shows great potential for catalysing climate resilience and inclusive development. In 2019, the CCCFs in these five pilot counties had led to more than 100 community-prioritised investments, and with the strong linkages to local communities, these investments seem to have particularly benefitted marginalised groups, such as women and youth. Moreover, CCCFs in the pilot counties have directly empowered local institutions involved in climate resilience. Despite only being able to assess the pilot counties, some scholars hail the CCCFs as a model for effectively structuring the flow of global climate finance to reach vulnerable communities and, thereby, directly contribute to climate-resilient development (Crick et al., 2019; Odhengo et al., 2019).

An assessment of the CCCF program is illustrated and explained in Figure 5 and Table 4.

**Figure 5. Assessment of devolved governance and finance in County Climate Change Fund, Kenya**



Source: Scoring intervention using principles of devolved governance and finance of climate change adaptation.

**Table 4. Explanation for assessment of devolved governance and finance in County Climate Change Fund, Kenya**

| Principle   | Analysis   | Score    |
|---|--|----------|
| <b>Subsidiarity</b>   | The CCCFs are institutionally structured to establish direct connections between the communities and the funds via flows of funds and decision-making that start and end with planning committees on each ward level – Ward County Climate Planning Committees (WCCPCs). The WCCPCs are elected by each community and are tasked with the identification of the community’s adaptation needs and hold some degree of responsibility for managing the disbursed funds. Although, the approval and processing of the WCCPCs’ initiatives lie in other county level institutions, experiences from the five pilot counties have shown a high degree of involvement and collaboration. Importantly, inconsistencies and contextual differences between counties have delayed full implementation. Therefore, and given the high degree of variability between the counties, it is still unknown whether the good results from the five pilot counties can be consistently reproduced in the remaining 42 counties. | <b>3</b> |
| <b>Integration in local government planning and decision-making</b> | According to the system for implementing the CCCFs, each county must monitor and report their climate information through the local extension offices of the National Drought Management Authority (NDMA), who then mainstreams the information into the national planning. It is on the basis of this reported information that counties get access to the CCCFs and can distribute funds to locally founded adaptation measures. The priority areas of the CCCFs are also closely tied to each county’s development priorities (in their County Integrated Development Plans), not least because each county is obliged to set aside 1–2% of their annual development budget to the county’s climate change projects <sup>9</sup> . As such, the development funds from the counties and the CCCFs are expected to be integrated into climate-compatible development initiatives.  | <b>4</b> |





| Principle  | Analysis  | Score    |
|--|---|----------|
| <b>Spaces for public deliberation and participation</b>                | Based on the five pilot counties, the model with WCCPCs have shown great results in terms of inviting and motivating local-level participation in planning, implementing and managing climate change initiatives. However, with incomplete implementation it is not yet possible to determine how this will work in the remaining counties. Specifically, whether decision-making and funds are effectively controlled by national or county level institutions (such as the NDMA) despite the setup of formal involvement of the WCCPCs. This uncertainty is important because especially counties in arid and semi-arid areas in Kenya have a history of struggles with weak government institutions, which has previously resulted in a disconnect between government planning and community planning, where consultation and involvement of community-based institutions have been absent or excluded from planning processes (Odhengo et al., 2019).   | <b>3</b> |
| <b>Devolution of decision-making over climate finance</b>              | If the requirements for the CCCF structure are successfully implemented by all counties as planned, the county level and local institutions will have extensive control over the climate funds from the CCCF. However, while devolution in Kenya may seem impressive on paper, in practise, centralised institutions have shown a degree of resistance in relinquishing power. Due to the incomplete implementation, the county-specific implications for the CCCF are yet unknown.   | <b>3</b> |
| <b>Decision-making informed by local knowledge and knowledge needs</b> | The funds are linked to the county's own reported climate information regarding vulnerabilities, hazards, food security and risks as well as actions proposed by the counties themselves. With the use of community resource mapping, participatory vulnerability and resilience assessments and systems for resilience monitoring (designed to track the link between adaptation, resilience and economic development), the CCCF model includes a very high degree of participatory planning and locally driven initiatives. The participatory tools used in all wards in the county assist the county institutions in prioritising investments that best targets communities in terms of climate resiliency and vulnerability. The NDMA have also piloted efforts to empower the county and community level institutions to be able to apply for external funds directly. The strong inclusion of the ward levels and the WCCPCs in planning, as well as in implementation, as strengthened accountability, for instance with the WCCPCs close monitoring of contractors. | <b>4</b> |



| Principle                                     | Analysis   | Score    |
|---|--|----------|
| <b>Predictability of financial flows</b>      | The CCCF is receiving funds from a variety of channels, including from global/multilateral funds/institutions, national budgets, bilateral donor funds, and private sector partners. The CCCF model is designed to blend these resources and, therefore, has a low dependency on single sources of finance. The additional contribution from the counties themselves (1-2% of annual county development budgets) only adds to the relatively strong stability of these funds, which creates a high predictability of the financial flows.  | <b>4</b> |
| <b>Supportive national policy environment</b> | National government institutions have made extensive efforts to mainstream adaptation into government planning, starting from 2010. Adaptation considerations have, thus, been integrated across all sectors. National policies have led to an extensively devolved, albeit complex institutional system, with the County Climate Change Fund (CCCF) as one such devolved government initiatives. However, there have been concerns that the formal structures are not fully functioning in practise. For instance, the full integration of climate information into government planning has been questioned, and there have been instances where budget guidelines set by national government institutions have been limiting the capacity of regional and local governments to support locally determined development priorities. With the CCCF model still not fully implemented across all counties, the actual support of national policies is uncertain. | <b>3</b> |

Source: Fieldwork in Kenya by authors and review of CCC project documents.







**DANISH SUPPORT FOR DEVOLVED  
ADAPTATION FINANCE**

As attention to devolved adaptation grows and models are increasingly implemented on the ground, some donors have begun considering how to approach devolution in their own adaptation support. Here we look specifically at devolution within Danish adaptation financing. Over the last five years, adaptation has received greater focus in Danish climate finance (Funder et al., 2020), and attention and financing for adaptation continues to ramp up. Denmark's latest international development strategy, 'The World We Share', released in June 2021, emphasises climate as one of three main focus areas, with specific goals for adaptation. In September 2021, Denmark pledged to contribute 1% of the 100 billion dollars global commitment that is targeted to be mobilised annually in climate finance from 2020. Sixty per cent of this contribution has been pledged to adaptation. Denmark's engagement in adaptation will, therefore, likely increase significantly in the coming years.

The assessment presented here, while focused on the case of Denmark, can offer relevant insights for other actors in their engagement with adaptation. Many donors and development actors are increasingly engaging with adaptation, for instance as countries boost their adaptation finance towards a balance between adaptation and mitigation. This will entail strategic considerations of how best to direct increased adaptation finance for successful outcomes on the ground – both in the short term, and also in laying the groundwork for future resilience and adaptation. The assessment provided supports such consideration, drawing on the governance considerations put forward earlier.

We first provide a brief overview of the data and approach used and then assess the current state of devolution in Danish adaptation support. We subsequently discuss this status and possible ways forward in reference to the seven governance considerations for devolution.

## **APPROACH AND DATA**

As with other studies of devolved finance, this study is limited by available information on climate finance. No current international reporting mechanism includes reporting on devolved finance, and there are no current prospects for improved reporting on devolved finance. This is a challenge faced by all studies of devolved or locally led finance conducted on the basis of international climate finance reporting. It reflects fundamental limitations in international climate finance reporting and data, which renders accurate assessment of these financial flows difficult.



Despite this, it remains important to assess devolved climate finance. Because of the limitations in the data, this assessment does not aim to provide an account of the share of adaptation finance reaching sub-national levels. Such data is simply not available in international climate finance reporting. Instead, the assessment sheds light on the character and distribution of adaptation finance flows of relevance to devolution. It examines who implements adaptation commitments, who are the intended beneficiaries, what kinds of funding modalities are used (e.g. project funding or budget support), and through which institutions or actors funding is channelled (e.g. international NGOs, central governments, etc.). These indicators are further discussed below. Together, they illustrate to what extent commitments aim to reach populations and institutions on the ground; who is responsible for decision-making in implementation phase; who has decision-making power at higher levels; and to what extent funding is predictable.

For this assessment, we draw both on international climate finance data as well as project documentation of adaptation commitments. We draw specifically on OECD DAC climate finance data as this also offers some additional information on recipients when compared to UNFCCC data. We look specifically at Danish climate Official Development Assistance (ODA) commitments for 2018 marked as adaptation-related, either significant or principal. The majority of the 2018 commitments are for multi-year development engagements or are recurring commitments. The findings, thus, provide some insight into Danish adaptation support in recent years. For further information on methods and limitations see Annex 2.

For these adaptation commitments, we have identified and assessed the four indicators noted below that provide insight into aspects of devolution in Danish support to adaptation:

Implementing entity refers to the institution(s) or actor(s) responsible for carrying out the activities for each commitment; for instance, in a water programme this might both be the Ministry of Environment as well as water companies. We use implementing entity as an indicator of devolution of adaptation finance and decision-making. Implementing entity also gives an indication of which kinds of actors are engaged in adaptation. To identify implementing entities, sometimes multiple per commitment, we have reviewed project documents to determine who is responsible for carrying out adaptation activities. This is a fairly robust method for assessing devolution of climate finance and decision-making with limited available data.

Targeted entity describes the intended beneficiaries of each commitment, and can include individuals, groups or institutions. In the example of a water programme, this could be local communities or user groups. Target entities are also identified through review of project documents. Assessing targeted entities for each commitment gives insight into whom commitments aim to reach, i.e. if they are aimed directly to populations affected by climate change on the ground, or if they are directed to higher administrative levels. Targeted entity, therefore, also gives insight into devolution of adaptation finance, but not of decision-making.

Funding modality refers to the manner in which finance is disbursed. Here we look specifically at core funding and project funding as two main modalities for adaptation finance, both with implications for devolution. As discussed in the considerations for governance, predictability of funding is important for successful devolution. Short-term pilots and projects, and even five-year programmes with the possibility of extension, fail to provide predictable funding. Funding modality has been determined by information in OECD DAC data and through document review.

Channel of delivery describes what type of institution or organisation adaptation finance is channelled through, for instance central government, a multilateral organisation, an international NGO, etc. There is often overlap between channel of delivery and implementing agency. However, implementing agency offers a better indication of devolution as it includes entities other than the original recipient that are involved in the delivery of adaptation activities. Channel of delivery is reported by donors to OECD DAC. We have therefore drawn directly on OECD DAC data, though have grouped some channels of delivery for simplification and clarity.

## KEY FINDINGS

The assessment of Danish adaptation support in 2018 has produced the following key findings, further elaborated on below:

### BOX 3. KEY FINDINGS ON DEVOLUTION IN DANISH ADAPTATION SUPPORT

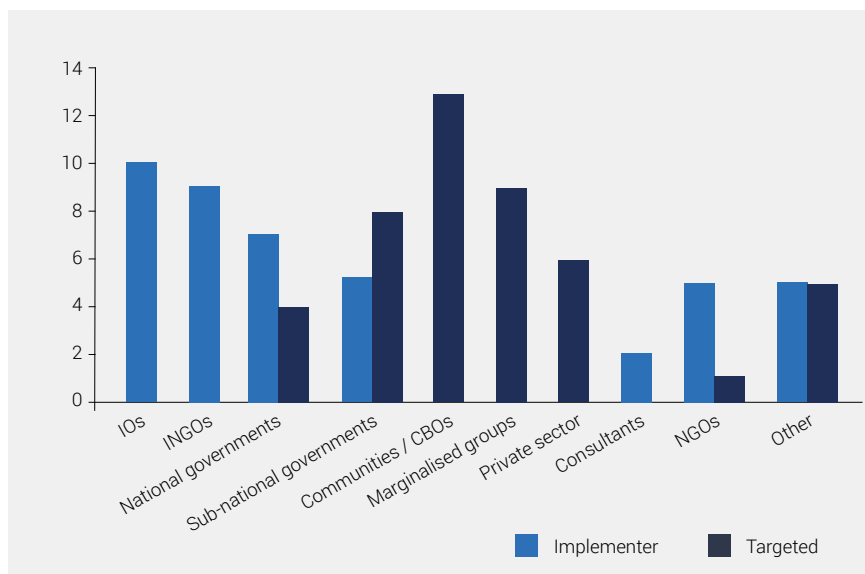
1. Overrepresentation of international entities in implementation
2. Contrast in who implements and who is targeted
3. Multilaterals' role warrants further consideration
4. Devolution in INGOs' work unclear but important
5. Sub-national and local entities mainly targeted
6. For those affected, project funding dominates
7. Channel of delivery affects who is targeted

#### **1. Overrepresentation of international entities in implementation.**

Looking first at those implementing adaptation, there is a skewed distribution of responsibility for implementation, with international actors disproportionately responsible for implementation and sub-national entities much less so, see Figure 6. International entities, including multilaterals and International Non-Governmental Organisations (INGO), figure most prominently and were responsible for implementation of 19 commitments. In contrast, national level entities were only responsible for implementation of seven commitments, while sub-national governments and domestic NGOs were only responsible for implementation in five commitments each. In other words, international entities were responsible for implementation of more commitments than national level entities, sub-national governments and domestic NGOs combined.

This is notable as sub-national governments are seen as critical actors in efforts to devolve finance and decision-making to lower levels, while NGOs are seen to have a comparative advantage in working with communities and vulnerable populations. Despite this, responsibility for implementation clearly tends towards higher administrative levels and international organisations. This may be a structural issue in current forms of cooperation. The models for devolved adaptation finance and governance may provide inspiration for new forms of cooperation that can support devolution.

**Figure 6. Implementing and targeted entities in Danish adaptation support**



Source: Source: Authors' analysis, OECD DAC Climate-related development finance dataset 2018 (accessed from <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>). For more on methodology see Annex 2.

Figure 6 presents an assessment of which entities are responsible for implementing Danish adaptation commitments and which entities are targeted by, or the intended beneficiaries of, these commitments. It indicates that responsibility for implementation is situated far from those affected and illustrates symmetry within those responsible for implementation. Sub-national governments are responsible for implementation in only 5 of the commitments reviewed, compared to almost 20 commitments for international organisations (IOs) and international NGOs (INGOs) combined. Greater devolution would likely result in more localised implementation, which has been shown to support local engagement and knowledge input and improve efficiency and outcomes.

## **2. Contrast in who implements and who is targeted.**

There is also a clear contrast in who is responsible for implementation and who is targeted. Some contrast is to be expected as those carrying out adaptation activities and the intended beneficiaries will generally be different. However, devolution in adaptation finance would entail shifting finance and decision-making closer to intended beneficiaries. In a more devolved approach, one would expect a larger role for sub-national government entities in implementation than is currently the case.

As described earlier, devolving decision-making to the lowest appropriate level, often closer to those targeted, has been seen to increase efficiency and improve outcomes, particularly for marginalised groups. In addition, integration in local government planning and decision-making is crucial for enabling sustainable adaptation processes on the ground. Yet it is unclear to what extent that this is enabled through Danish adaptation support.

This gap between implementing and targeted entities in Danish adaptation support may have negative implications for efficiency and outcomes. In documenting this contrast, Figure 6 can provide a benchmark for assessing devolution of Danish adaptation support going forward. This comparison can also be a simple and useful tool for other development actors aiming to assess and improve devolution in the implementation of their adaptation support.

### **3. Multilaterals' role warrants consideration.**

Multilateral organisations are prominent in implementation of adaptation and are also a main channel of delivery of Danish adaptation finance, with 26% of Rio-marked adaptation finance in 2018 (see Figure 7). This is not including imputed multilateral contributions, or those shares of multilateral contributions later estimated to be used on adaptation, see Annex 2. When including such contributions, the share of Denmark's adaptation finance being channelled through multilateral institutions is, therefore, even higher.

This major role for multilateral organisations is not only of significance for devolution of funding and decision-making, but also in terms of the sectors that are addressed by adaptation commitments.

Funder et al., 2020 argue that there is a stark difference between sector engagements of Danish adaptation commitments when comparing bilateral and multilateral commitments in previous years. This difference underlines that adaptation commitments directed through multilateral institutions support fewer and different adaptation sector engagements than the more diverse engagements of Danish bilateral adaptation support. While both are valuable, there is a need for strategic consideration of the aims of Danish support to adaptation and which implementing agencies (closely linked to channel of delivery) can best support them. These considerations are becoming more important as Danish development funding is increasingly channelled through multilateral organisations and Danish climate finance and support to adaptation specifically is pledged to increase.

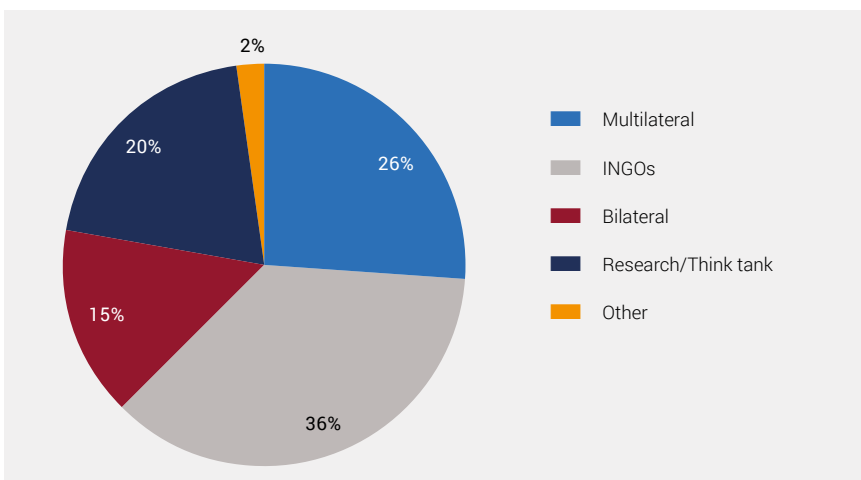


#### 4. Devolution in INGOs' work unclear but important.

One point for further investigation regarding devolved responsibility for implementation is devolution in the work of INGOs. When looking at channel of delivery in Danish adaptation finance in 2018, INGOs received the single largest share of adaptation finance (36%, see Figure 7 below). Commitments to INGOs were typically core funding (in seven out of nine commitments, e.g. CARE Denmark Strategic Partnership 2018), and it is, therefore, unclear to what extent INGO activities may include other implementers, for instance community groups, domestic NGOs, etc., or who they targeted. The INGOs receiving funding (incl. CARE Denmark, Danish Red Cross, DanChurchAid, among others) generally focus on communities and marginalised groups. This may also mean that the number of communities/community organisations and marginalised groups targeted through Danish adaptation assistance is likely even higher than shown in Figure 7.

Because of INGOs' major role in Danish adaptation, it will be important to further examine their approach to devolution in order to get a full picture of devolution in Denmark's adaptation finance. This is both in terms of who is involved in implementation and who is targeted, as discussed above. However, it will also be relevant to consider to what extent INGOs engage with government structures or local decision-making processes. INGOs may have a comparative advantage in working with communities and vulnerable populations, which could be

**Figure 7. Share of adaptation finance according to channel of delivery**



Source: Source: Authors' analysis, OECD DAC Climate-related development finance dataset 2018 (accessed from <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>). For more on methodology see Annex 2.

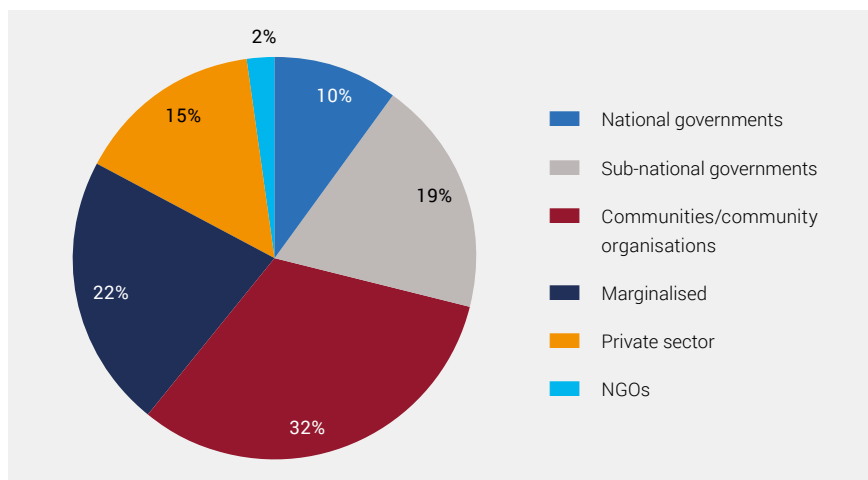
valuable when fostering spaces for public deliberation as well as participation and decision-making informed by local knowledge and needs, two of the governance considerations discussed earlier.

### 5. Sub-national and local entities mainly targeted.

Those entities targeted by Danish adaptation commitments are generally at lower administrative and local levels. National governments are targeted in only four commitments, compared to sub-national governments in eight, communities/community groups in 13 and marginalised groups in nine. Targeting of private sector, including of SMEs, also comes out clearly in six commitments.

Figure 8 shows the share of commitments targeting each intended beneficiary (regarding the number of commitments rather than commitment amounts). In the assessed commitments, communities and community organisations are targeted most frequently, in almost a third of all commitments. Targeting of civil society organisations (CSOs) is notable in its absence, though targeting of both community and CSOs would likely be higher with more detailed information on how core funding to INGOs is used. Overall, sub-national and local entities – represented by sub-national governments, communities/community groups, and marginalised – are targeted 74% of the time. This reflects the importance of these actors in adaptation and indicates that the majority of Danish adaptation-related commitments assessed indeed seek to reach local actors.

**Figure 8. Targeted entities**



Source: Authors' analysis, OECD DAC Climate-related development finance dataset 2018 (accessed from <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>). For more on methodology see Annex 2.

Field-based studies following such commitments through implementation could provide valuable additional knowledge of successes and challenges experienced during implementation, as well as of outcomes. While the recent evaluation of Danish adaptation documented that there have been positive outcomes for local populations and marginal groups (Ministry of Foreign Affairs of Denmark 2020), this can, unfortunately, not be assumed. A recent assessment of numerous donor-financed adaptation and vulnerability-reduction programmes found that some programmes not only failed to reduce vulnerabilities, but in some instances even exacerbated them (Eriksen et al., 2021).

## **6. For those affected, project funding dominates.**

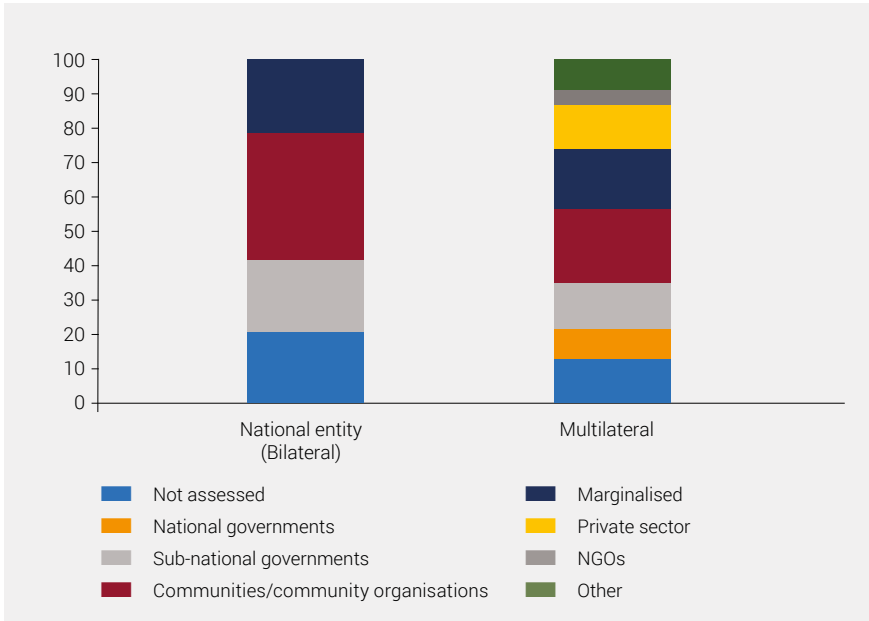
We have also examined modalities of Danish adaptation support. Modality describes the manner in which finance is disbursed, and here we look specifically at core funding and project funding. Research on adaptation and debates on devolved finance emphasise the importance of predictable, long-term funding to support planning and institution-building, both crucial to successful adaptation in the long term (Funder et al., 2020; Soanes et al., 2021). This suggests the importance of core funding or other modalities that are provided over a longer time frame and with a higher level of discretion than project funding. However, Danish adaptation support to those affected – partner countries and intended beneficiaries within them – is solely provided as project funding.

This is not to say that Denmark does not provide core funding. In fact, 38% of Rio-marked Danish adaptation support in 2018 was provided as core funding. Yet this modality was used only for international organisations, including multilaterals, international NGOs and a think tank. If also counting imputed multilateral shares provided to multilateral institutions, this number would be even higher. This contrast in who receives different funding modalities is striking, and it will be important to consider how Denmark can shift towards longer-term funding modalities to support those affected by climate change. While institutional frameworks to support core funding for those affected, particularly sub-nationally, are in many cases lacking, Danish adaptation support could be geared towards supporting the development of such institutions, building on experiences from countries like Kenya and India.

## **7. Channel of delivery affects who is targeted.**

Figure 9 below considers who is targeted within different channels of delivery in Danish adaptation support. The two columns represent different channels of delivery. The first is national entities, or bilateral engagements, where Denmark channels adaptation finance through national entities in its partner countries. The

**Figure 9. Targeting within different channels of delivery in Danish adaptation support**



Source: Source: Authors' analysis, OECD DAC Climate-related development finance dataset 2018 (accessed from <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>). For more on methodology see Annex 2.

second is multilateral institutions, for instance UNDP, FAO, and IBRD, among others. Though again, this does not include commitments to multilateral institutions that do not have a Rio marker.

These two different channels of delivery – Rio-marked bilateral and multilateral – evidence significant differences in who they target, indicated by the coloured bars within each column. All bilateral commitments reviewed targeted either marginalised, communities/community organisations or sub-national government. They had, thus, a clear focus on those on the frontlines of adaptation, a promising finding for devolution. In contrast, adaptation finance channelled through multilateral organisations are much more mixed, for instance also targeting national governments and the private sector. A few commitments were not reviewed, either because access to project documentation was lacking or commitments were core funding, and it was not clear which entities were targeted. These are included as 'not assessed'.

These clear differences in who is targeted in Denmark's bilateral and multilateral adaptation commitments may suggest differing strengths and comparative advantages of these two channels of delivery. This finding also provides important input for decisions on how to direct additional adaptation finance in the coming years. Decisions on how to channel adaptation finance have clear implications for who the beneficiaries are, and there is already marked contrast in the share of finance directed bilaterally (15%) and multilaterally (26%).

## **GOVERNANCE CONSIDERATIONS AND DANISH ADAPTATION SUPPORT**

The governance considerations for devolution presented earlier also provide important considerations for Danish and other donor adaptation efforts going forward. Here, we link these considerations to current trends in Danish adaptation finance and the key findings above. We group the governance considerations into three thematic focus areas for approaching devolution efforts in Danish adaptation support going forward: i) engaging with governance structures; ii) fostering inclusive, participatory decision-making; and iii) ensuring predictable financing. Through attention to these three areas, further discussed below, Denmark can take significant steps towards supporting devolution in its adaptation support. This analysis also illustrates how the governance considerations can be a useful tool for donors and development actors in improving meaningful devolution in their adaptation support, see Box 4.



## Box 4. Governance considerations for devolved Danish adaptation support

### Engagement with government structures

#### Governance considerations

1. Subsidiarity
2. Integration in local government planning and decision-making
4. Devolution of decision-making over climate finance
7. Supportive national policy environment

Engagement in these governance considerations will require differing approaches depending on the channel of delivery of adaptation support. In bilateral adaptation support to Danish International Development Agency (DANIDA) partner countries, it will require close partnerships. Working towards these factors entails political and institutional work that is difficult to carry out without a strong relationship with country partners and mutual trust. In addition, it requires knowledge of the specific climate, development and political context, as mechanisms for devolution and integration should reflect the specific governance context. A point of departure should be the partner country's own vision for securing a supporting institutional landscape for devolved adaptation finance, for instance as promised in LDC's Vision 2050, where LDCs pledged 'Strengthening the role of local government and actors to revitalise existing decentralisation structures and ensure subsidiarity in climate decisions'.

However, bilateral adaptation support was only a small share of commitment amounts in 2018 (15%). A much larger share of adaptation finance went to multilateral organisations and INOGs (a combined 62%). If Denmark decides to promote devolution in its support to adaptation, it will, therefore, be critical to actively engage with multilateral and INGO partners to encourage their engagement with these governance factors as well.

### Fostering inclusive, participatory decision-making

#### Governance considerations

3. Spaces for public deliberation and participation
5. Decision-making informed by local knowledge and needs

Fostering inclusive, participatory decision-making will be crucial for addressing the needs of those affected by climate change, especially the most marginalised. In bilateral support, this suggests the need for a revitalised focus on democratic processes and inclusive decision-making, which also requires close collaboration with partner countries.

Here, the role of INGOs in particular should also be explored, as they receive a major share of Danish adaptation finance and can be well-situated to foster inclusion and participation locally, including with marginal populations. However, it will be vital to institutionalise successful models for inclusive, participatory decision-making and integrate them with local governance processes so that these are sustainable beyond a specific project or adaptation engagement and contribute directly to local decision-making.

Support to inclusive, participatory decision-making should also look beyond the local level to consider how such input can also be channelled upwards into decision-making at higher administrative levels. This could improve vertical integration of local knowledge and needs into adaptation planning.

### Providing enabling financing

#### Governance considerations

6. Predictability of financial flows

As indicated previously, Danish bilateral adaptation support is entirely project-based. This raises important questions on feasibility of building the necessary institutional structures and capacity that can support devolved adaptation finance and governance in the long term. Considering other funding modalities, in consultation with partner countries, as well as in coordination with other donors (Lundsgaard et al., 2021), will be relevant here. Lessons can be gathered from the models discussed earlier.

Engagement with multilateral partners will also be important, as a major share of Danish adaptation support is channelled through multilateral actors. Here, Denmark can both engage to support increased predictability in multilateral approaches as well as gain learning, for instance on existing models and best practises. Relatedly, engagement with international climate funds and predictability in their funding mechanisms will also be important as these funds increasingly disperse adaptation finance.



# WAYS FORWARD



Global climate change adaptation efforts have entered ‘a new era of adaptation implementation’ (Adaptation Watch, 2017:5) in recent years. Previous focus on securing finance and establishing the rules of the game has given way to greater focus on how and where funds will be used. Yet in many countries, it remains unclear how exactly adaptation implementation will take place. Instead, governance actors are building the plane while flying, devising adaptation policies, programming and institutional arrangements as they also attempt to manage severe climate change impacts. Many LDCs not only lack financial resources but often also the political inclination and institutional environments to facilitate successful decentralised climate change adaptation outcomes. We have, therefore, reached a watershed moment for global adaptation efforts, where laying solid institutional and governance foundations will be crucial for enabling durable, devolved adaptation on the ground.

Recently enhanced international attention to implementation of climate change adaptation is likely to elevate devolution on the agenda, the strongest argument being that devolving governance and finance of climate change adaptation is likely to offer significant benefits for both donors and recipients. This study identifies and discusses four drivers of devolved adaptation, including influential international policy think tanks, the World Bank’s PPCR programmes, International NGOs and a few LDC national governments with elaborate climate change adaptation policies and strategies. Principles for Locally Led Adaptation promoted by the Global Commission on Adaptation were endorsed during the Climate Adaptation Summit in January 2021. This marks a shift in international climate diplomacy from a focus on establishing the rules of the game to a greater focus on implementation modalities.


With inspiration from the LLA principles, the study identifies and further unpacks the governance aspects of devolved finance for climate change adaptation and subsequently uses them to assess four models used by international donors to support devolved finance for climate change adaptation. We draw the following conclusions and perspectives.

- The justification for subsidiarity is its perceived political and economic advantages for enhancing representation and efficiency of service delivery. All four models score high on subsidiarity, reflecting a concerted effort to embed adaptation planning in local government structures. However, in all four models, the inclusion of sub-local government stakeholders is unevenly implemented.

- Not surprisingly, the two models where a high degree of decision-making is devolved to existing decentralised government institutions (LoCAL and CCCF) are well-integrated in local government planning and decision-making. In both cases this can be explained by clear incentives for local government and clear and transparent procedures for accessing funds for climate change adaptation. For the two models that did not score highly for this aspect (PPCR and ALP), integration in local government planning was complicated by criteria set by outside donors (World Bank and CARE International).
- Sub-local government spaces for public deliberation and participation are important for ensuring that voices of all local stakeholders are included in the planning and implementation processes. The reason why the ALP model scores very high in this governance aspect is likely to be the active facilitating role played by CARE International. The low score in the three other models illustrates the hesitancy of local government political leaders to voluntarily devolve decision-making over financial resources to lower tier institutions.
- Two local government-based models (LoCAL and CCCF) score high on devolving of decision-making over climate change adaptation finance. Local Government institutions have extensive control over financial resources within the framework for invited political space set by the models. The PCR and ALP models score low on devolution of decision-making as local decisions in practise have to be approved by external higher-level institutions.
- The ALP and CCCF models score high on decision-making informed by local knowledge and knowledge needs. In both models, planning is based on locally generated information and analysis regarding climate vulnerability and hazards. The two other models (PPCR and LoCAL) are primarily based on the technical knowledge of local government bureaucrats.
- The last governance aspect, supportive national policy environment, is highly contextual and dependent on national political support for reforming and implementing decentralisation policies. The programmes (LoCAL and CCCF) situated in Mozambique and Kenya score high due to their ongoing reform process, while the programmes situated in Zambia and Ghana (PPCR and ALP) score low because of slow policy implementation and central ministry resistance to relinquishing power in these countries.



Denmark may have much to offer in support for devolved climate change adaptation, e.g. in its long experience with decentralisation generally and the strengths of its adaptation engagement. Drawing on findings from the recent Evaluation of Danish Support to Climate Change Adaptation (Ministry of Foreign Affairs of Denmark 2020), locally based initiatives were found to be better able to reach marginalised and vulnerable groups. These strengths of devolved adaptation finance may be relevant to considerations of how Danish adaptation finance can be used best, e.g. in concrete discussions around pathways of delivery. These considerations are also relevant in discussions of where Denmark can contribute best to a crowded landscape and where its strengths lie, also in relation to shaping international agendas.



**Denmark may have much to offer in support for devolved climate change adaptation, e.g. in its long experience with decentralisation generally and the strengths of its adaptation engagement.**

In this context, Denmark's possible engagement with this international landscape should take into consideration the heterogeneity among actors and approaches to devolved finance. This study identifies and discusses four promising models for devolved governance and finance of climate change adaptation. Each, in its way, works with central and local governments to enhance general fiscal decentralisation and associated devolved decision-making to provide domestic budgets for devolved climate finance and incorporates this in national climate laws and policies.



# NOTES

- 1 OECD (2020), Climate Finance Provided and Mobilised by Developed Countries in 2013-18, OECD Publishing, Paris, <https://doi.org/10.1787/f0773d55-en>
- 2 Oxfam Shadow Report. <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf>
- 3 Solar energy, enhanced energy efficiency, sustainable habitat, water, sustaining the Himalayan ecosystem, green India, sustainable agriculture and strategic knowledge for climate change.
- 4 Agriculture, horticulture, agroforestry, environment, allied activities, water, forestry, urban, coastal- and low-lying systems, disaster management, human health, marine system, tourism, habitat sector and other rural livelihood sectors to address climate change related issues.
- 5 For more information see: FP024: Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management (CBNRM) in Namibia | Green Climate Fund.
- 6 The endorsement can be found here: [https://files.wri.org/s3fs-public/uploads/Locally\\_Led\\_Adaptation\\_Principles\\_-\\_Endorsement\\_Version.pdf](https://files.wri.org/s3fs-public/uploads/Locally_Led_Adaptation_Principles_-_Endorsement_Version.pdf)
- 7 Information on county level vulnerabilities, hazards and risks, as well as actions taken to address them.
- 8 As an example, the 1% of annual development budgets set aside for climate change activities amounted to 85 million KES for Makueni County (approx. USD 750,000) (Odhengo et al., 2019).
- 9 This distinction is presented by the 'Joint Report on Multilateral Development Bank's Climate Finance', and further elaborated by the CPI and IFAD in their joint report: 'Examining the Climate Finance Gap for Small-Scale Agriculture', where the first recipient is the actor specifically targeted with the financial flow and the final beneficiary are the actors ultimately (or indirectly) benefitting from the flow of funds.
- 10 <https://www.iied.org/climate-finance-not-reaching-local-level>
- 11 <https://www.ifad.org/en/web/knowledge/publication/asset/42157635>
- 12 OECD (2020), Climate Finance Provided and Mobilised by Developed Countries in 2013-18, OECD Publishing, Paris, <https://doi.org/10.1787/f0773d55-en>
- 13 <https://pubs.iied.org/pdfs/10178IIED.pdf>
- 14 For additional information, see the 'Methodological Note of the OECD-DAC Climate Related Development Finance Databases': [https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/METHODOLOGICAL\\_NOTE.pdf](https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/METHODOLOGICAL_NOTE.pdf)

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# ANNEX 1. METHODOLOGY USED BY IIED, CPI AND IFAD TO ESTIMATE PROPORTION OF DEVOLVED FINANCE FOR CLIMATE CHANGE ADAPTATION

When UNFCCC's so-called 'Annex II countries' report climate finance towards the USD 100 billion goal, they do so in their Biennial Reports. These reports, however, provide very limited information as to where and how the funds are provided, which is why researchers often turn to climate finance data presented by the OECD. While the OECD data on climate-related development finance provides the most extensive source of information on global climate finance flows, the information on devolved climate finance is lacking. The first recipient of climate finance is well documented whereas information on the final recipient is not.<sup>9</sup>

To work around the inadequate aggregated source data of the final recipient, several reports resort to a word search in project documents to discern whether the project reaches the local level or not, such as the 10%<sup>10</sup> calculated by IIED and the 1.7%<sup>11</sup> of climate finance reaching small-scale farmers as calculated by CPI and IFAD. However, the IIED word search of project documents only cover a small share of international climate funds' climate finance allocation to local level implementation between 2003 and 2016. The international climate funds committed USD 17.4 billion during that period but only 7% of the projects approved were sufficiently transparent to analyse/apply a word search for locally led significance. As such, the presented percentage is based on USD 1.2 billion of the total provision of climate finance between 2003 and 2016. Comparatively, nearly USD 60 billion climate finance was reported in 2016 alone.<sup>12</sup>

The necessary global reporting modalities are simply not yet established to accurately calculate the share of climate finance which reaches the local level/is devolved. The 2017 working paper from IIED<sup>13</sup> presents these limitations in their annexes, rightly concluding that the presented figures are indicative at best for the small proportion that is international funds (not total climate finance) due to lack of relevant data and in-depth analysis of all project documents.

## **ANNEX 2. NOTES ON METHODOLOGY FOR THE ASSESSMENT OF DANISH ADAPTATION FINANCE**

This study draws on OECD DAC Climate-related development finance dataset 2018. We have also removed all commitments where adaptation was not scored as principal or significant according to the Rio markers. This means that imputed multilateral contributions, which are not given a Rio marker, are not included. Imputed multilateral contributions 'are calculated by estimating, per international organisation, the climate-related share within its portfolio and attributing it back to bilateral providers, based on their core contributions (disbursements) to the organisation in a given year.'<sup>14</sup> Denmark's adaptation support channelled through multilateral contributions is, therefore, even higher than indicated in this analysis. We have also removed specific research and evaluation projects marked as adaptation in order to focus to a higher degree on adaptation practise and international engagement.

After compiling the data as described above, we subsequently conducted a document review of remaining commitments, drawing on programme descriptions. We have looked at who is responsible for implementation of adaptation activities 'implementing entities' and marked as many as were relevant among the following categories: international organisation, national government entity, sub-national government entity, consultant, NGO, other entity. We have also looked at who is targeted, or the intended beneficiaries, again marking as many as were relevant of the following categories: national government entity, sub-national government entity, communities/community based organisations (CBOs), marginalised, private sector/SMEs, NGOs, other. We were not able to access project documentation for 16 of the 51 commitments, so these were not assessed. There is, therefore, a gap in the data set, though these commitments were generally spread out across the data set in terms of channel of delivery, which should minimise any impact on the findings. The only category for channel of delivery that was more affected by lack of project documentation was that of 'third country government (delegated cooperation)' where three of three commitments were not scored due to lack of access to the documentation. Yet this group of commitments represents a very small part of Denmark's adaptation efforts and would, therefore, not significantly affect our findings.

We have attempted to communicate these uncertainties in the data, both in the text and figures as well as through this methodological discussion. As also mentioned under the heading Ways Forward, it is important to note that this assessment is limited by available information on adaptation financing, as no current international reporting mechanism includes reporting on devolved finance, for instance in-country disbursements or on-lending. UNFCCC data provides only recipient country, while OECD DAC data provides both recipient country and 'channel of delivery', which specifies the initial recipient, for instance central government, donor or developing country-based NGO, various international institutions, or teaching or research institutions, among others.

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