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The climate and humanitarian localisation agendas: entry points to enhance climate adaptation and resilience financing and action

Policy brief

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Contents

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Climate Centre

Introduction

The latest Intergovernmental Panel on Climate Change (IPCC) Assessment Report (AR6) clearly states that climate change impacts are contributing to humanitarian crises in places of high vulnerability. Climate-related disasters are causing increasingly irreversible losses and damages, particularly when they compound existing drivers of chronic crises, such as food insecurity, extreme poverty, conflict, and economic and social marginalisation. According to the IPCC, 40% of people globally already live in highly climate-vulnerable areas (IPCC 2023). The IPCC projects that risks of biodiversity loss, environmental degradation, increased droughts, floods and heatwaves, as well as water scarcity, food insecurity, deteriorating human health, premature deaths and displacement, could reach perilous levels before the end of the century (IPCC 2022). To avoid, or at least alleviate such crises, it is crucial to rapidly expand both mitigation efforts to limit warming and adaptation measures to address the impacts that are already avoidable.

To frame this brief, it is important to clarify what we mean by the term 'local actors'. The term encompasses a broad range of entities across the climate and humanitarian systems, with interpretations varying depending on context.

In the humanitarian system, as defined by the Grand Bargain Localisation Workstream, 'local actors' officially refers to "National and local responders comprising governments, communities, Red Cross and Red Crescent National Societies and local civil society" (Grand Bargain Localisation Workstream, 2023). However, in practice, the term is often understood as excluding government entities at both national and local levels, as they tend to be left out of coordination efforts.

Within climate circles, the definition of 'local actors' is more context dependent. In global climate policymaking and discussions about access to multilateral climate funds, 'local' often include national institutions such as ministries or development finance institutions. For programme implementation, however, as evidenced by the Locally Led Adaptation Principles (World Resources Institute, 2022), it often refers to local communities, subnational and local governments (such as cities or provinces), civil society organisations, and local private sector entities.

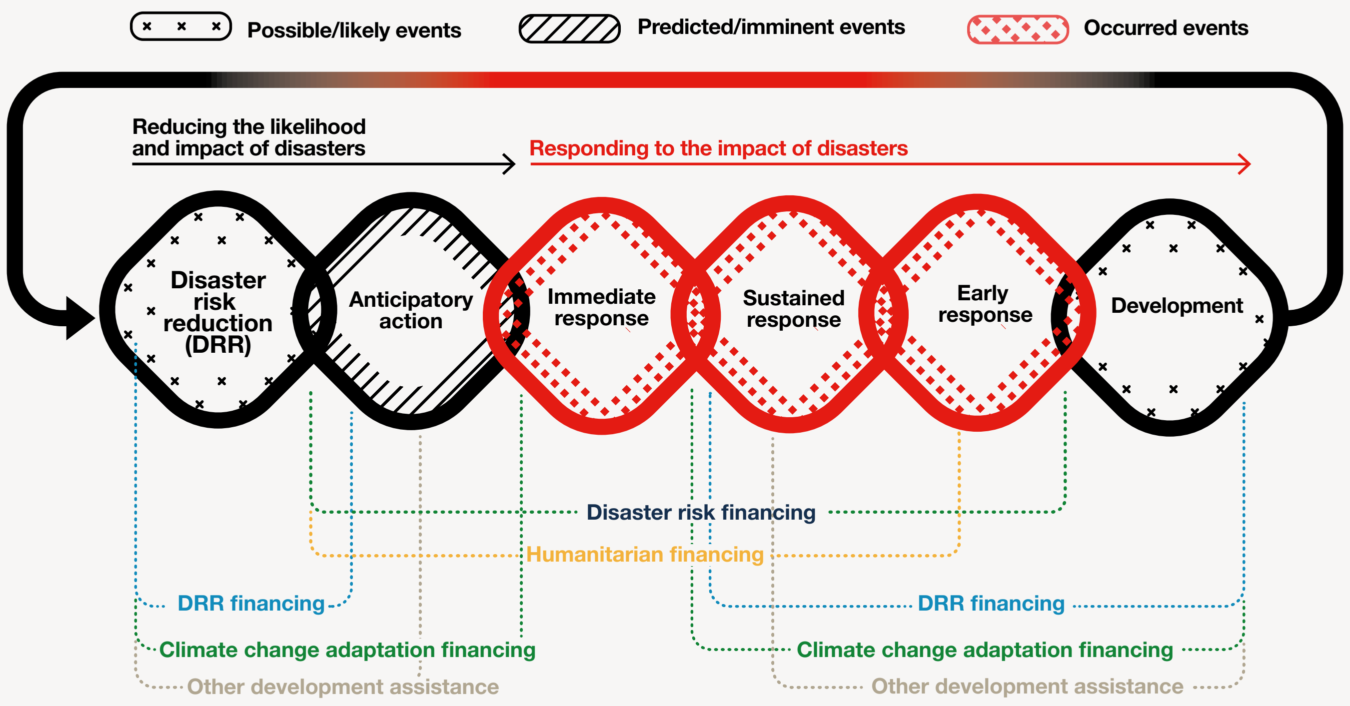
For the purposes of this brief, we define 'local actors' as including subnational state institutions, private and third sector organisations, as well as households and individuals.

Despite this broad recognition of local actors in both climate and humanitarian systems, significant challenges remain, particularly in terms of access to finance, evidenced by the adaptation funding gap faced by low-income countries. The gap between the current level of international adaptation finance and the amount needed in low-income countries is estimated to be 10 to 18 times higher: $21 billion available in 2021 versus an annual need of $215–387 billion between 2020 and 2030 (UNEP 2023). **Countries affected by conflict and fragility (FCAS) receive the least amount of adaptation finance despite their high climate vulnerability** (ICRC et al. 2022). Estimates of adaptation funding from multilateral climate funds to 'extremely fragile' and 'fragile' states was $2.1 and $10.8 per person, respectively, compared to $161.7 for non-fragile low- and middle-income countries between 2014 and 2021 (Reda and Wong 2021).

The humanitarian system has increasingly provided lifesaving responses to climate-linked emergencies. Estimated humanitarian cost requirements for climate-related disasters rose steadily from around 7 billion USD in 1980 to around 18 billion in 2019 (based on a 10-year moving average) (IFRC 2020). Meanwhile UN humanitarian appeals responding to climate-related and weather-related crises increased by 800% between 2002 and 2021 (IASC 2023).

There have been increasing calls for the humanitarian system to focus more on addressing climate risks in emergency relief programming to reduce humanitarian impacts, by anticipating and responding earlier to climate-related disasters, strengthening preparedness and prevention, and building the resilience of affected communities (ICRC, 2023; IFRC 2021; IASC 2024).

Figure 1 – The financing landscape for climate adaptation and resilience



Note: This simplified figure does not represent the scale nor precise scope of each category of funding but is intended as a broad represenation of the relevant domains of each to the risks and effects of climate change-related disasters.

Source: IFRC (2020), p. 311.

However, not all humanitarian agencies are well positioned to manage climate risks and build resilience. While multi-mandate agencies have the resources to build climate components into humanitarian interventions to strengthen short-to longer-term resilience, humanitarian agencies with a strict lifesaving mandate may be unable to do so. Moreover, **the optimal contribution of humanitarian action to climate-resilient development will depend on operational contexts and specific locations** (Tholstrup and Vazquez 2024). In FCAS with governance gaps, limited service provision, contested political settlements, and where international development and climate actors have limited access, international humanitarian agencies can play a role in reducing climate risks. This can be done through preparedness activities, early warning services, and protection against shocks ahead of time, and by partnering with peacebuilding, development, climate and national actors to deliver recovery and rehabilitation (IASC 2024). But the evidence base on the types of interventions that effectively build climate resilience in these contexts needs to be more quickly built up (Tholstrup and Vazquez 2024). In contexts with established and better resourced national systems, international humanitarian actors should support local institutions and communities, as well as National Red Cross and Red Crescent Societies, working across the climate-humanitarian-development divide to strengthen local capacity and agency in emergency response, as more frequent crises globally limit the ability of international actors to cover all responses.

With climate-induced humanitarian needs growing at a time when humanitarian funding is stretched and adaptation finance is insufficient, both the humanitarian and climate systems need to become more effective and efficient. While the proportion of disasters attributable to climate and extreme weather events has continued to rise, from 76% of all disasters in the 2000s to 83% in the 2010s (IFRC 2020), humanitarian finance has been unable to keep up with these growing needs. For instance, only 54% of total UN–coordinated humanitarian appeal funding requirements in 2021 ($38.4 billion) were met (ALNAP 2022). Looking ahead, the International Federation of Red Cross and Red Crescent Societies (IFRC) conservatively estimates that by 2050 up to 200 million people each year could require international humanitarian assistance for climate-related disasters, needing around $29 billion per year, if long-term adaptation efforts are not scaled up (Swithern 2022). This would be a significant increase from the 110 million people affected during 2010–2019, with an estimated cost requirement of $3.5 billion to $12 billion per year (IFRC 2019).

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Localisation processes to devolve decision-making power and resources to local actors at the frontlines of climate change can improve the effectiveness and efficiency of climate adaptation and humanitarian interventions, rendering them more sustainable. The humanitarian system has long established the principles of localisation (Metcalfe-Hough et al. 2021) and recognised that local actors are the most effective and best positioned to assess their own needs as first responders to climate shocks (Lees 2021.; ICRC 2023; IFRC 2021). Meanwhile, growing evidence in the climate system shows that local actors can harness the knowledge and experience of the local communities and Indigenous Peoples most affected by climate impacts, to develop innovative climate adaptation solutions (Crick et al. 2019; GCA 2019; 2022). This brief uses **humanitarian localisation and locally led adaptation** to refer to these two complementary paradigms in the humanitarian and climate systems, and **locally led approaches/action** to refer to cross-cutting processes across both.[1]

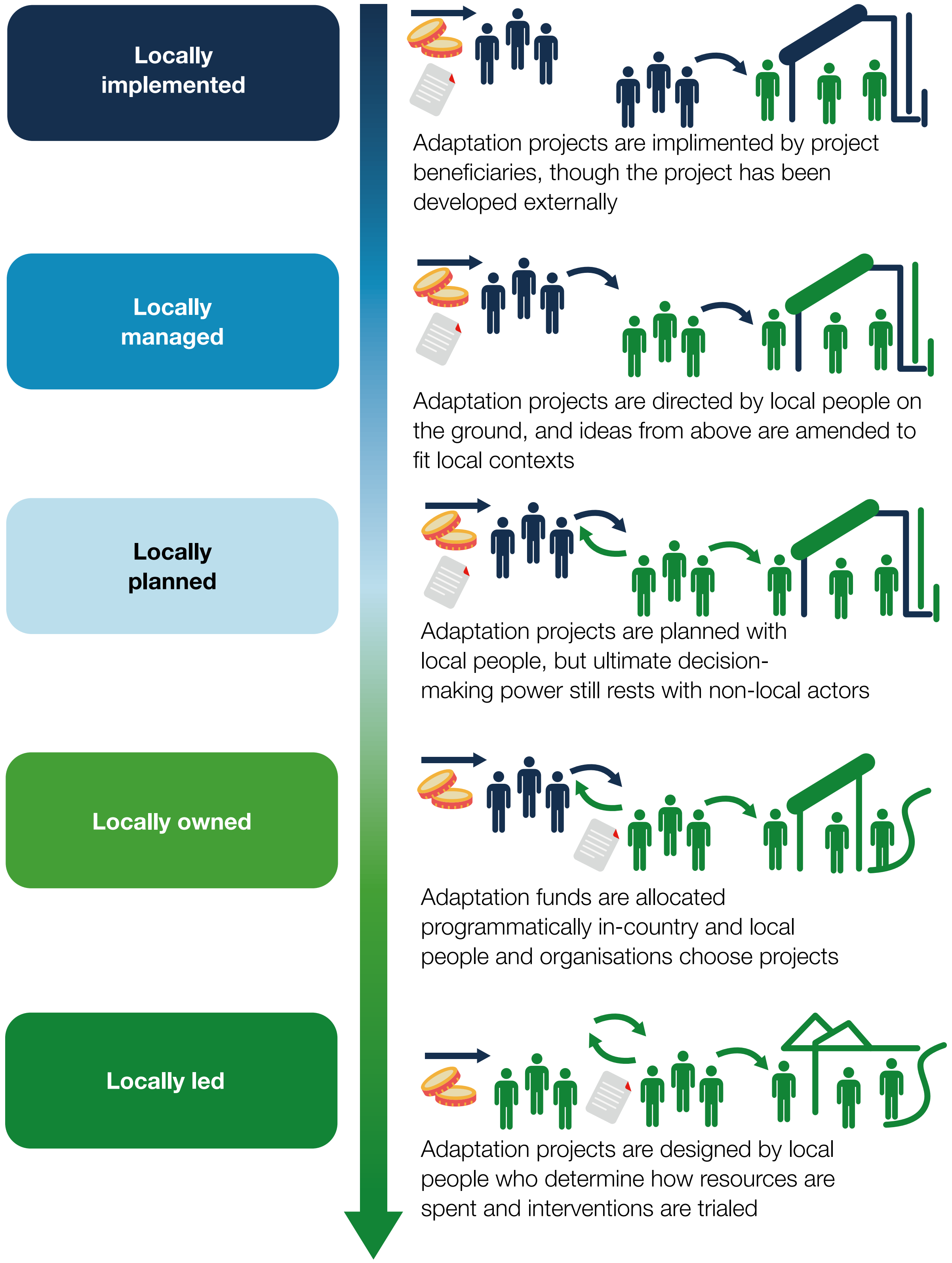
This policy brief looks at how the humanitarian and climate localisation agendas intersect and contribute to enhancing climate adaptation and resilience. It makes two arguments in support of locally led approaches: 1) they can improve the effectiveness, efficiency and equity of climate adaptation and resilience interventions, and 2) they can be instrumental in fostering coordination and collaboration between humanitarian, development, peacebuilding and climate actors working to build climate-resilient development (also called the HD(C)P nexus) in FCAS contexts.

Based on a review of the grey and academic literature on locally led adaptation, humanitarian localisation, and humanitarian engagement with climate change, as well as 13 interviews with key informants (KIIs) in government, NGOs, funding and intermediary organisations (see Annex for full methodology), this brief identifies several strategic and operational entry points to address barriers and accelerate locally led climate adaptation and resilience action.

There are two limitations to the brief: 1) consultations with local representatives, although attempted, were not possible due to the short timeframe, and 2) the focus of the entry points is on the public sector and public bilateral and multilateral finance, though we recognise the need for public finance to scale up private investments for climate resilience.

1 It is noted that different aid actors have different semantic preferences in labelling these agendas, including ‘localisation’, ‘locally led’, ‘local-ownership’, and ‘people-centred’, but the intended underlying principles, objectives and processes are highly aligned – if not the same.

Figure 2 – Spectrum of local agency in climate adaptation interventions



Source: Rahman et al. (2023), p.154.

Localising climate adaptation and resilience financing and action

While existing on a spectrum of local actors' involvement and agency (see Figure 2), much of the programming and decision-making for climate adaptation and humanitarian response to climate emergencies occurs at global and national levels. Evidence is clear that the more decisions are taken externally within funders' headquarters and 'top down' in recipient country capitals, the more the needs of affected populations and marginalised communities and groups tend to be overlooked (ALNAP 2022; Coger et al. 2022; Rahman et al. 2023; Levine and Pain 2024). Such processes are often led by international **intermediary organisations**, that is international entities that enable international finance for climate adaptation and resilience to flow from its sources in the Global North to users in the Global South.[2]

An increasing number of actors in both the climate and humanitarian systems recognise that genuine locally led transformative programming and implementation, which harnesses community and indigenous knowledge and empowers local actors to decide how resources are used, can improve the effectiveness and efficiency of climate action (GCA 2022; IFRC 2016). Many actors also see locally led approaches as a way of addressing the historical inequities in income, education, social and political capital, and power imbalances between funders and recipients created by colonialism's legacy. These inequities act as drivers of vulnerability to shocks, including those from climate change (ALNAP 2022; Coger et al. 2022). As a result, many organisations and states are endorsing the climate Principles for Locally Led Adaptation and the humanitarian Grand Bargain localisation goals, as these share similar principles to address common challenges hindering locally led action (see Table 1).

2 The definition refers mostly to intergovernmental organisations, such as UN agencies and multilateral development banks, and INGOs that act as conduits for conceiving, developing, planning, implementing and governing climate projects in low-and middle-income countries, recognising that they can often act as funders themselves. See Annex for full definition.

Table 1 – Similarities between the climate and humanitarian localisation agendas

Principles for locally led adaptation	Grand bargain localisation commitments
Devolve decision-making to the lowest appropriate level	Revolutionise participation: local and national partners are involved in the design of programmes and participate in decision-making as equals instead of as subcontractors
Invest in local capabilities to leave an institutional legacy	Increase and support multi-year investment in national and local partners' institutional capacities, including paying adequate administrative support Remove or reduce barriers, such as administrative burden, preventing donors or international organisations from partnering with local and national actors Implement fairer recruitment policies that discourage poaching of staff from national and local actors
Provide patient and predictable funding that can be accessed more easily	Increase direct funding (or as directly as possible) to local and national actors – to 25% of humanitarian funding by 2020
	Make greater use of funding tools (such as pooled funds) which increase and improve assistance delivered by local and national responders
Foster collaborative action and investment, across sectors, initiatives and levels, including ensuring that different sources of funding support each to enhance efficiencies and good practice (such as humanitarian, development, disaster risk reduction, green recovery)	Support and complement national coordination mechanisms where they exist and include local and national responders in international coordination mechanisms as appropriate and in keeping with humanitarian principles
Ensure transparency and accountability	Increase transparency around resource transfers to national and local NGOs Develop, with the Inter-Agency Standing Committee (IASC), and apply a 'localisation' marker to measure direct and indirect funding to local and national responders
Implement flexible programming and learning	
Address structural inequalities faced by women, youth, children, disabled persons, displaced persons, Indigenous Peoples and marginalised ethnic groups	
Build a robust understanding of climate risk and uncertainty	

Note: Between states, multilateral entities, local, regional and international civil society organisations (CSOs), private sector and research institutions, the Principles for Locally Led Adaptation had 126 endorsers, and the Grand Bargain had 67 signatories.

Source: Author's analysis based on GCA (2022); IFRC (2016)

To operationalise the Principles for Locally Led Adaptation, and the Grand Bargain, and Charter for Change localisation commitments, bilateral and multilateral funders have started creating dedicated localisation strategies. These often cover the entirety of their official development assistance (ODA) portfolio, and support programmes and mechanisms and set targets to address mutual challenges (see Box 1). Meanwhile, intermediary organisations, especially in the humanitarian system, are considering the roles they can play in transitioning from managers of finance and programmes to facilitators of local action (Lees et al. 2021). There is evidence that intermediaries can effectively shield local partners from excessive bureaucratic requirements from funders (Pellowska and Fipp 2024). They can also advocate on behalf of, and support existing networks of, local actors to increase their bargaining power with funders and intermediary organisations (ALNAP 2022; KII 4, 2024). And they can provide technical support on issues such as nutrition, health, livelihoods and asset generation (Barbelet 2019).

Moreover, there have been increasing conversations among funders and intermediary organisations on how locally led approaches can enable and sustain access to hard-to-reach populations in FCAS, to prevent a climate resilience desert (Wilton Park 2023; 2024). These contexts are diverse, with varying degrees of instability, conflict and capacity to manage climate risks. In many cases, climate hazards can quickly escalate into disasters because some communities cannot anticipate, absorb or respond appropriately. This is often exacerbated by the dynamics of conflict, inequalities resulting from fragility, or poor development choices (Opitz-Stapleton et al. 2023). Also, weak institutional landscapes, contested political situations, sanctions, and the presence of non-state armed groups further complicate efforts to implement standard operating procedures, though the extent of these challenges can vary widely across different FCAS (ICRC et al. 2022).[3] Thus, no single actor, whether focused on climate issues, development efforts, disaster risk reduction, humanitarian aid or peacebuilding initiatives, can independently build resilience against climate change (Vazquez 2023; Swithern 2022; Truscott and Mason 2023). Operating in these environments requires tailored efforts that locally led approaches can better deliver because local actors are more capable than international actors at operating across the HD(C)P nexus, since they are embedded in the communities facing these multidimensional challenges.

Progress in policy and programming of locally led action

Dedicated localisation strategies and strategic objectives

- **USAID's institutional localisation strategy**: In 2022, USAID announced an institutional, cross-departmental strategy to foster locally led change across the entirety of its ODA portfolio including development, climate and humanitarian operations (USAID 2022a). The strategy committed to delivering 25% of USAID funding directly to local actors by 2025 and 50% by 2030 and has developed performance indicators to track the transferring of decision-making power to local leadership. While advanced compared to commitments of other major bilateral funders, the strategy has been criticised for overestimating how much aid goes directly to local partners due to how local funding is defined (that is, USAID considers organisations that are a subsidiary of international organisations to be local, regardless of whether or not they are staffed and governed by local people (Forster, Paxton and Grisgraber 2023). It also excludes finance that covers USAID administration and personnel costs, programmes implemented by UN agencies and development banks, and personal service contracts.
- **UK government's commitment to publish an overarching localisation strategy**: In its 2023 White Paper on International Development, the UK government committed to publish an overarching localisation strategy to review its engagement, delivery and approach to risk to better support local leadership on development, climate, nature and humanitarian action (UK Government 2024).
- **The Green Climate Fund (GCF)'s inclusion of locally led adaptation in the Strategic Plan 2024-2027**: The GCF has included locally led adaptation as an important programming modality in its new strategic plan (GCF 2023).
- Other major funders, including Germany, France, the EU and the Nordic countries are yet to develop comprehensive strategies, though they have policies and initiatives pursuing localisation objectives (Abrahams 2023).

3. It's worth noting that there is significant overlap between Least Developed Countries (LDCs), Small Island Developing States (SIDS), and FCAS. Many LDCs and SIDS can be fragile and affected by conflict, although they are not always categorised as such in international climate negotiations. The UNFCCC negotiations typically do not explicitly refer to FCAS as a separate group, but rather focus on LDCs and SIDS, which may encompass many states that could also be classified as FCAS.

Locally led adaptation programming

- **The World Bank supported the Financing Locally Led Climate Action (FLLoCA) programme in Kenya**: This commits 90% of its $250 million budget to go directly to local county and ward government-level organisations to strengthen capacity and climate adaptation programming.
- **The Least-Developed Country Initiative for Effective Adaptation and Resilience (LIFE-AR)**: Funded by the governments of Canada, the Republic of Ireland, UK and US, it is an initiative supporting the LDC 2050 Vision and committing 70% of direct finance to local actors (including national governments in this case) for development and adaptation action.
- **The Adaptation Fund's new global aggregator programme for locally led adaptation**: In 2024, the Adaptation Fund announced a $35 million global aggregator programme designed to support locally led adaptation. The programme will distribute small grants to non-accredited entities like CSOs, Indigenous Peoples' organisations, local governments, community groups and entrepreneurs. To administer these grants, the Fund will invite expressions of interest from multilateral or regional implementing entities that will act as intermediaries (Adaptation Fund 2024). The aggregator programme targets the local level, providing support to smaller, non-accredited entities through these intermediaries.
- **The GCF-supported Community Resilience Partnership Program**: This is a $750 million programme implemented by the Asian Development Bank to scale up adaptation measures that address the nexus between climate change, poverty and gender inequality at the community level in seven countries in the Asia Pacific.
- **The UN Capital Development Fund (UNCDF) Local Climate Adaptive Living (LoCAL) Facility**: This aims to scale up direct adaptation funding to local governments to $100 million. The LoCAL operates by providing a financial top-up to cover additional costs of making local investments climate resilient. It builds on the existing performance-based climate resilience grants provided by the UNCDF and is channelled through existing government fiscal transfer systems.

Barriers to localisation in the climate and humanitarian systems

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Despite progress in policies and programming, more effort is required from both funders and intermediary organisations, as so far only moderate transfer of decision-making power to local actors has occurred (ALNAP 2022) and limited international humanitarian and adaptation finance is reaching the local level in low- and middle-income countries. Direct humanitarian funding to local actors decreased, from an estimated high of 3.3% of total international humanitarian finance in 2018 to 1.2% in 2021 (ALNAP 2022). International adaptation finance that reaches or is channelled through local actors varies widely. In West Africa, it accounts for less than 1% of total adaptation finance (Casas and Sanogo 2022). Globally, only 10% of allocated multilateral climate funds target local actors (Soanes et al. 2017). However, between 2017 and 2021, 17% of global adaptation finance was directed to local-level adaptation efforts (UNEP 2023).

These trends can be explained by numerous barriers that are hindering locally led climate and humanitarian action for adaptation and resilience. These barriers are common between the two systems and fall within five categories:

1. Local actors lack decision-making power to design programmes and manage interventions.
2. Local actors face significant limitations in organisational capacities including financial management. However, it is crucial to recognise that these actors also possess valuable skills, knowledge and contextual expertise that are often undervalued in broader adaptation efforts.
3. Funders' and intermediaries' aversion to perceived or real risks linked to empowering local actors.
4. Funding mechanisms do not enable direct access for local actors or are inadequate to build climate adaptation and resilience.
5. Poor reporting or absence of data systems to track funding to local actors.

These barriers have been widely analysed in the literature and are summarised in Table 2, together with entry points and joint responses to address them. These are discussed in the next section.

More generally, there is a need to build greater mutual understanding and shared learning between the climate and humanitarian systems to enhance locally led approaches to climate resilience. Their understandings of resilience should be aligned, as humanitarian actors can bring a unique insight into and understanding of resilience from their frontline work. This perspective focuses on abilities to withstand current and near-future climate hazards and is built primarily by improving nutrition and health status, livelihoods and assets at the individual and community levels. Climate and development actors, on the other hand, focus on future vulnerabilities at systems and community levels, and build resilience by embedding disaster risk management and long-term adaptation into development choices at different spatial and temporal scales (Tholstrup and Vazquez 2024).

The humanitarian and climate systems should also recognise their different interpretations of local actors, and therefore of localisation. Many humanitarians use the interpretation of local actors created under the Grand Bargain Localisation Workstream, which does not include the national government (IASC 2018). By contrast, climate actors often refer to national government institutions as local actors in the context of gaining direct access to multilateral climate funds and in contrast to global climate policy making.

Humanitarian and climate actors play interconnected and complementary roles in climate risk management, particularly in FCAS, where the complexities of conflict and fragility demand a coordinated approach (Tholstrup and Vazquez 2024). While there is broad consensus among humanitarians that there is no purely humanitarian solution to the impact of climate change, there is also recognition that more adaptation and resilience investments are necessary to prevent hazards from escalating into humanitarian crises (OCHA 2023).

In practice, humanitarian agencies have adopted various strategies to achieve these goals. Some have focused on building partnerships with climate, development and other actors, advocating for collaborative efforts that span different timescales

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and facilitating access for these actors in FCAS where their presence is limited, all while maintaining their core lifesaving focus. Others have expanded their remit to include anticipatory action and resilience programming, even advocating for climate finance to support these initiatives, despite the need for more evidence on the long-term impacts of such interventions on climate resilience.

Rather than viewing these approaches as sequential or mutually exclusive, there is a need for ongoing cross-system learning to determine how humanitarian and climate actors can best collaborate in real time, with overlapping and complementary roles, to effectively address climate resilience gaps in FCAS and beyond (Tholstrup and Vazquez 2024).

Table 2 – Barriers and entry points for locally led approaches to climate adaptation and resilience

Barriers

Climate system	Humanitarian system
Local actors lack decision-making power to conceive, design, plan, implement and manage climate adaptation and resilience interventions	
- Most climate adaptation planning and important decision-making is ‘top down’, concentrated in funders’ headquarters and recipient country capitals. Even though programmes supporting adaptation planning feature consultation and multistakeholder engagement with local actors, these do not often capture real local needs (Coger et al. 2022). - Local actors have limited access to funding and are therefore marginalised due to absence of national multi-level governance mechanisms that could support their leadership in adaptation projects (Colenbrander, Dodman and Mitlin 2018). - In FCAS, local actors may be outside national planning and policy processes, which are required to access international climate adaptation and resilience finance, due to the central government being in competition with subnational counterparties in their geographic area or being a party to a conflict (Cao et al. 2021; Sitati et al. 2021).	- Humanitarian programming is also predominantly ‘top down’, with local and national NGOs continuing to operate largely as subcontractors in delivering most response activities but with limited influence on decisions (ALNAP 2022). - Humanitarians mostly operate in parallel to state systems and often in a highly standardised manner, limiting local governments’ role and agency in preparing and responding to climate shocks and building resilience (KII 8, 2024; ALNAP 2022; Knox-Clarke 2021). However, there are growing signs that humanitarian organisations are working more consistently with country meteorological agencies to implement anticipatory action.

Entry points/joint responses

There needs to be greater support for local government leadership in designing and programming climate adaptation and resilience interventions.

In the humanitarian system, local (and national) government leadership should be prioritised for funding for early warning early action systems.

Coordination at the local government level can be instrumental to bring together the HD(C)P nexus and locally led approaches in some FCAS.

Barriers

Climate system	Humanitarian system

Limited capacity of local actors to lead climate adaptation and resilience action and in responding to climate risks

Climate system:

- Limited capacity of local actors to articulate the climate rationale in project proposals in a technical manner that meets the requirements and preferences of funders is perceived as limited capacity to lead and deliver adaptation and resilience interventions (Soanes et al. 2017; Holland et al. 2022).
- Funders often underestimate the level of effort and expertise required to strengthen technical, management and organisational capacity of local actors, including financial and administrative systems in community organisations. This has led to inadequate levels of resourcing for capacity-strengthening initiatives (Soal and Merrill 2021).

Humanitarian system:

- Local actors perceive a lack of support for long-term capacity strengthening (Lees et al. 2021) and development of risk management systems (ALNAP, 2022).

Entry points/joint responses

Reconceptualising local actor ‘capacity’ can transform the funding landscape for capacity strengthening in a way that accelerates localisation in both the climate and humanitarian systems. Local capacity should be broadened to value more local and indigenous knowledge and capacity to understand the local context, build strong community relationships and demonstrate accountability to communities.

Dedicated climate adaptation and resilience capacity-strengthening initiatives for local actors need to be increased.

Barriers

Climate system	Humanitarian system

Poor reporting or absence of data systems to track funding to local actors

Climate system:

- There is a lack of data coverage on international adaptation finance to the local level and no international reporting requirement for countries, making it difficult to evaluate how funding supports locally led action (UNEP 2023).

Humanitarian system:

- Indirect funding to local actors (after funds pass through the first layer of UN agencies and international NGOs [INGOs]) is difficult to track because of poor reporting to existing data aggregators, such as the UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking System (FTS) (KII 1 2024, 1; ALNAP 2022). This prevents a comprehensive aggregate view of humanitarian funding reaching the local level.

Entry points/joint responses

Both the climate and humanitarian systems need to develop clear frameworks to report local-level finance to avoid problems of over or underestimation and creating perverse incentives that channel funding away from local partners.

Barriers

Climate system	Humanitarian system

Funders' and intermediaries' aversion to perceived or real risks linked to empowering local actors

Climate system

- Funders perceive local actors to lack capacity to manage fiduciary, legal, programmatic and operational risks [4] associated with delivering large amounts of finance transparently and accountably (Soanes et al. 2017; Pinnington et al. 2024; Ingram 2022).
- This risk aversion is even higher in FCAS, where additional security and safety risks limit climate funders and intermediary organisations in operating in these contexts at all (Cao et al. 2021; ICRC et al. 2022; CCCPA 2022; Sitati et al. 2021; Cliffe et al. 2023).

Humanitarian system

Like the climate system, local humanitarian actors are often perceived as lacking robust risk management systems to absorb, manage and disburse humanitarian funding (The Risk Sharing Platform 2022; Hughes 2022; Pellowska and Fipp 2024).

Entry points/joint responses

Formal 'risk-sharing' mechanisms, involving funders, intermediaries and local actors (vertical risk sharing), or between funders or among intermediaries (horizontal risk sharing), can be key to improving risk management and enabling localisation of climate adaptation and humanitarian finance.

4.Fiduciary risks involve corruption, fraud, waste, loss, abuse, mismanagement; legal risks arise from compliance with laws and regulations; programmatic risks relate to local contexts; and operational risks relate to inadequate organisational processes (including social and environmental safeguards).

Barriers

Climate system	Humanitarian system

Funding mechanisms do not enable direct access for local actors or are inadequate to build climate adaptation and resilience

Climate system

- Most climate funding is managed by international intermediaries with only a tiny share of money reaching local communities to create positive impacts at the local level (Unlock Aid, n.d.; Chaudhury 2020). Local CSOs, community-based organisations and private sector organisations are usually subcontracted to deliver services and goods in this relationship.
- Accreditation and due diligence processes are complex and require high transaction costs for local actors to directly access bilateral and especially multilateral sources of funding (CPDAE 2019; Soanes et al. 2017; Pinnington et al. 2024).

Humanitarian system

- Similar to the climate system, the entirety of humanitarian finance is managed by international intermediaries due to demanding funder requirements (ALNAP 2022).
- There is limited humanitarian finance available for preparedness, recovery and resilience because funders believe these interventions are mainstreamed across other sectors, such as climate and development (ALNAP 2022). Many humanitarian funders also set strict limits on what humanitarian funding can and cannot support, meaning it is far easier to mobilise.

Entry points/joint responses

Humanitarian and climate funders should pay realistic and equitable overhead costs to strengthen local organisations' financial, administrative and organisational systems. These are needed to sustainably run local CSOs and build the foundation to access larger sources of international climate and humanitarian finance more directly.

Entry points to accelerate localisation of adaptation and resilience financing and action

This section highlights potential practices and joint approaches across the climate and humanitarian systems, evidenced from the literature and key informant interviews, to accelerate the localisation of climate adaptation and resilience action. These entry points comprise a mixture of strategic and operational measures that funders and intermediaries can adopt or implement more. The focus on funders is because many barriers for locally led action are influenced by their perceptions and preferences. However, the emphasis on intermediaries seeks to explore the key role they can play in transitioning from managers of finance and programmes to facilitators of local action. Some of the entry points explored have been developed by humanitarian and development agencies, who have been experimenting with innovative localisation practices for a longer period. As such, they can offer operational lessons to climate actors as they seek to accelerate locally led adaptation.

Localise decision-making power to conceive, design, plan, implement and manage climate interventions

There needs to be greater support for climate adaptation and resilience design and programming at the local government level

Despite their closeness and ability to better understand and respond to the adaptation needs and priorities of their communities (Olazabal and Ruiz De Gopegui 2021), most local governments are involved in adaptation processes as implementers of national programmes and initiatives (Petzold et al. 2023). Only 32% of countries, and 15% of least developed countries (LDCs), have developed some form of subnational adaptation plans (UNEP 2023). Local government leadership in programming adaptation and resilience interventions can support the institutionalisation of these approaches, especially if embedded in wider national governance processes and plans (Crick et al. 2019). The success of Kenya's County Climate Change Fund approach is an example of enhanced inclusion and participation of marginalised people and groups in decision-making, and of institutionalising locally led adaptation into national governance (see Box 2). Therefore, funders and intermediaries should provide greater financial and technical support to strengthen the capacity of local institutions for locally led adaptation.

Kenya's County Climate Change Fund (CCCF)

Kenya's CCCF demonstrates how local government planning, when supported by flexible direct funding, can effectively respond to local needs and enhance inclusion, resulting in improved climate adaptation outcomes (Murphy and Orindi 2017; Crick et al. 2019). The CCCF, initially designed through a donor-supported programme, was piloted in five vulnerable counties and then expanded to 18 counties (Ada Consortium 2022). This initiative is closely aligned with Kenya's devolved governance system under the National Climate Change Act, which empowers county governments to take an active role in climate action. The CCCF operates within this framework, linking local adaptation efforts to national climate policies, laws and plans, thereby ensuring that funding mechanisms are consistent with Kenya's broader decentralised governance approach (IFRC 2021).

The CCCF consists of elected Ward Climate Change Planning Committees, which include representatives from various locations, social groups and livelihood systems in the ward. These committees are responsible for making decisions related to adaptation, while higher-level county committees provide technical support to ward committees but do not have decision-making authority. The CCCF is capitalised by UK and Swedish international climate funding; in some cases, county governments have committed 2% of their development budgets. Of the total funding, 70% is designated for the ward level while 20% is reserved for reserved for county level which are at a higher administrative level; the remaining 10% goes towards consultation, proposal development and monitoring costs (Coger et al. 2022).

Evidence from the programme demonstrates positive effects on households and communities including increased access to water, improved livelihoods leading to enhanced income and food security as well as better livestock health. It has also resulted in reduced conflicts within households or between neighbouring villages along with strengthening customary natural resource management institutions (Crick et al. 2019). While improvement in climate resilience can only be observed over longer periods of time, there is early evidence that communities had better ability to cope with droughts compared to those in other counties with similar climatic conditions (Murphy and Orindi 2017).

The CCCF has been successful in a 'capacitated' context like Kenya because the mechanism was intentionally anchored in the country's governance devolution process, with funding integrated into government planning systems. There is evidence that communities are more likely to access, design and receive allocations of finance in devolved political systems (Barrett 2015). The new large-scale World Bank FLLoCA programme ($250 million) is explicitly building on the experience of the CCCF to mainstream locally led adaptation throughout the country (Arnold and Soikan 2021).

Humanitarian funding for early warning early action systems should prioritise the leadership of local and national government

Much of the humanitarian localisation of decision-making has supported the agency of local communities, CSOs and private sector while mentioning the involvement of local government in passing, without concrete measures to involve them in programming. The creation of early warning early action systems provides an opportunity to put the leadership of local (and national) institutions front and centre in allocating, designing and distributing finance, as they can institutionalise these processes within wider policies, strategies and programmes and increase the probability of long-term viability and wider uptake (Budimir et al. 2023). The Getting Ahead of Disasters Charter launched at COP28 is committing organisations and states to better use finance in advance of climate-related disasters to manage risks and protect people, where a key commitment is prioritising the leadership of local government and local actors (REAP Secretariat 2024). Localisation discussions under the Grand Bargain have also seen an increased participation of local governments who are exploring how they can more actively deliver humanitarian protection (KII 1, 2024). Therefore, humanitarian localisation should prioritise strengthening the capacity of local and national government in designing, programming and coordinating early warning early action, while supporting NGOs and civil society in contexts where direct support to government institutions is not feasible (for example, where states do not have full territorial control or are party to conflicts).

Coordination at the local government level can be instrumental in bringing together the HD(C)P nexus and locally led approaches in some FCAS

While aid coordination at the national level tends to happen within sectoral silos (such as humanitarian clusters, water coordination, climate coordination), there is evidence that cross-sectoral coordination between intermediaries improves the further away it moves from country capitals (Mosello, Chambers and Mason 2016). At the local level, threats and challenges are discussed more concretely because they reflect lived experiences, which is more conducive to discussing practical solutions (KII 7, 8, 2024). At the local level, intermediaries' coordination with the government and communities can also be less politicised, as local government staff are local civil servants and tend to represent local interests more than political parties (KII 8, 2024. Therefore, it is easier to identify common problems, agree on partnership principles, and create cross-sectoral programmes based on complementarity at this level (Mosello, Chambers and Mason 2016). Such thinking already exists in the humanitarian system, where some are calling for a transition to 'area-based approaches' for funding and operations due to the siloing effect of the clusters system (Konyndyk, Saez and Worden 2020). Thus, localising cross-sectoral coordination to the local government level can support greater coherence between humanitarian, development, climate and peacebuilding agencies in strengthening climate resilience. This coordination role should be led by the local government in FCAS where the governance and political conditions are favourable. However, in other FCAS where this leadership is not possible, intermediaries-led cross-sectoral, subnational coordination cells focusing on a specific threat or forecasted event may be equally effective. This paradigm shift will require joint exploration among intermediaries and pilot testing in specific locations.

Somalia's Local Consortia Approach to Climate Finance

Somalia is a country highly vulnerable to the impacts of climate change and characterised by 'fragile governance' (Red Cross Red Crescent Climate Centre, 2021). Somalia ranks among the most climate-vulnerable countries globally, placing 179th out of 181 countries on the ND-Gain Index with a vulnerability score of 0.675 (Ministry of Foreign Affairs, 2018; ND-GAIN, 2021).

Current State of Climate Finance

Somalia receives minimal climate-related finance despite its high vulnerability (International Crisis Group, 2022). This is the case not only for funding from dedicated climate funds but also for broader financing for disaster risk reduction, climate change adaptation, and resilience activities across both climate and humanitarian sectors. As of September 2024, the GCF has allocated a total of $78.4 million to Somalia (GCF, 2024). Additionally, $4.6 million has been approved for Readiness support activities. In addition to multilateral sources, bilateral funding plays a significant role in Somalia's climate-related finance landscape. The UK, for instance, has been a key partner in this regard. In the 2022-2023 fiscal year, 10% of the UK's Official Development Assistance (ODA) to Somalia was allocated to climate-related activities. For 2023-2024, while the overall share for climate activities decreased to 7%, there was a notable increase in funding for reducing conflict and building security, which rose to 14% of the total ODA allocation (FCDO, 2024). This shift in funding priorities reflects the complex interplay between climate vulnerabilities and security challenges in Somalia.

The newly created Ministry of Environment and Climate Change serves as Somalia's National Designated Authority for the GCF. In March 2024, the GCF announced plans for an accelerated $100 million investment in Somalia over the following year, signalling increased focus on the country's climate finance needs (Green Climate Fund, 2024).

Specific Barriers to Local Access

Recent research by the Overseas Development Institute (ODI) highlights significant obstacles in Somalia's access to climate-related finance; in 2021, Somalia's climate finance needs were estimated at around USD 5.5 billion per year, yet inflows in 2019-2020 were only USD 321 million. This is less than 6% of the required amount. This stark gap underscores the challenges faced by conflict-affected countries like Somalia in accessing climate finance, despite being among the most vulnerable to climate change impacts. The research points to several interconnected barriers that limit local actors' ability to access and effectively utilise climate-related finance:

- **Limited coordination and collective voice:** Local actors often struggle to advocate effectively for their needs and access to climate finance due to a lack of coordinated efforts.
- **Insufficient capacity for managing complex climate projects:** Local organisations may lack the technical expertise and financial management skills required by international donors.

- **Challenges in operating in fragile contexts:** Security constraints and unreliable data make it difficult for local actors to implement and monitor climate projects effectively.
- **Lack of integrated approaches:** Fragmented governance and weak institutions hinder the development of comprehensive climate resilience strategies.

These barriers reflect the challenges faced by FCAS more generally in securing climate-related finance. This is particularly concerning as climate change amplifies existing vulnerabilities in these states, exacerbating the impacts of chronic war and poverty (Abshir, 2023). People living in FCAS are among the world's most vulnerable and least ready to adapt to an increasingly unpredictable and extreme climate, yet they remain largely excluded from accessing finance for climate adaptation (ICRC, 2022).

Emerging Approach: Nexus Consortium
To address these challenges, the Nexus Consortium has emerged as an innovative approach. Nexus is a platform for locally led change in response to the current challenges to Somalia and Somaliland (Nexus Consortium, 2024). This partnership of eight local NGOs and two international NGOs (Oxfam and Save the Children) represents a promising model for enhancing local actors' access to funding and decision-making power in climate adaptation and resilience efforts within fragile contexts.

Key features of the consortium include:

1. Coordinated advocacy and representation: The consortium provides a unified platform for local NGOs to collectively advocate for better access to climate-related finance and more enabling policies.
2. Capacity building and knowledge sharing: International partners act as fund managers and capacity builders, supporting institutional strengthening of local organisations and facilitating peer learning.
3. Collaborative risk management: By working together, consortium members can better navigate security challenges and improve data reliability through shared resources and expertise.
4. Integrated multi-sectoral approach: The consortium implements projects across humanitarian, development, and peacebuilding sectors, promoting a more comprehensive approach to addressing complex climate-related challenges.

The consortium approach aligns with broader localisation efforts in the humanitarian and development sectors, addressing key principles of the Grand Bargain localisation commitments. While specific impact data for the Nexus Consortium is limited, this model could play a crucial role in bridging the gap between international funding and local implementation. As the country of Somalia grapples with climate change impacts, collaborative approaches involving government entities, local organisations, international partners, and affected communities, are essential for enhancing access to and effective use of climate-related finance.

Expand capacity strengthening to the local level, embracing local knowledge to enable local actors to lead climate adaptation and resilience

Reconceptualising local actor capacities can transform the funding landscape for capacity strengthening in a way that accelerates localisation in both the climate and humanitarian systems

Existing capacity-strengthening efforts targeting local actors typically prioritise their organisational capacity to manage public funds transparently and their technical know-how to programme climate interventions (such as methodologies to map climate impacts, risks and options for adaptation) in the climate system (Soal and Merrill 2021), and respond to shocks and crises in the humanitarian system (Lees et al. 2021). This emphasis is influenced by funders' aversion to fiduciary and reputational risks, due to domestic pressures to account for the use of public funds and growing intolerance of corruption (Cao et al. 2021; Hughes 2022). And, in the case of adaptation interventions, the need to ensure that projects represent new and additional investments in adaptation rather than traditional development (Hammill and McGray 2018).[5] Nevertheless, this focus has had detrimental effects on local actors' ability to lead adaptation and resilience action, in two significant ways.

Firstly, this approach has tended to overlook other crucial facets of local actors' capacities such as deep understanding of the local context, building strong community relationships, using indigenous knowledge, ensuring accountability to communities, and building sustainable financial, administrative and management systems. These are all vital capacities that enable local actors to effectively and sustainably lead their organisations and oversee adaptation and resilience programmes (Pinnington et al. 2024).

Secondly, focusing on technical 'scientific' expertise has perpetuated a top-down definition of local capacity that favours global expertise over local knowledge (Pinnington et al. 2024; Holland et al. 2022; Soanes et al. 2017). In the climate system, the emphasis on demonstrating the climate additionality of interventions has also led to a focus on adaptation solutions that address the impacts of climate change (such as seawalls, early warning systems, climate-resistant seed varieties) (Berrang-Ford et al. 2021) rather than the underlying drivers of vulnerability to climate change (such as poverty, inequality) for fear of being labelled 'traditional development' (Schipper 2022). This approach has not truly met the needs on the ground, as adaptation needs in communities are more likely to be development needs, therefore requiring solutions to reduce vulnerabilities (such as livelihood diversification, vaccination) and not just address climate risks (such as teaching farmers to collect climate data, develop community adaptation plans) and impacts (such as dams for glacial lake outbursts) (Schipper 2022; Mosello, Chambers, and Mason 2016).

Therefore, funders need to shift their idea of local capacity, heavily focused on 'quantums' of compliance and technical expertise, to a 'quality' that is built over time and embedded in wider systems of governance (Soal and Merrill 2021) if they wish to accelerate locally led approaches to climate adaptation and resilience. Intermediary organisations can facilitate this transition, as they administer capacity-strengthening programmes and experience first-hand the complexities on the ground and the limitations of having a narrow or

5. The need to demonstrate the additionality of climate investments to development finance is a consequence of how the climate system has evolved to embrace the idea that without anthropogenic climate change there would not have been a need for climate finance – hence the need for additionality.

pre-determined view of the types of capacity needed to deliver effective climate action.

Dedicated capacity strengthening for climate adaptation and resilience at the local-level needs to be increased

Existing international efforts to enhance climate adaptation and resilience capacity have primarily focused on strengthening the capacities of national-level institutions, such as ministries and national development banks, enabling them to secure accreditation and access funding directly without relying on intermediaries. However, this approach often bypasses local-level actors, such as local governments, cities and communities, who also require targeted support to build their own capacity for leading climate adaptation and resilience initiatives. Access to resources at the subnational level is often governed by national policies, meaning that local actors face a more complex and restricted path to direct funding. Therefore, it is crucial for national governments to intensify efforts to ensure that those who do not qualify for funding, including national institutions, work closely with and support local actors. This will help ensure that local governments and communities have the necessary resources and authority to effectively implement climate adaptation and resilience strategies. Although the benefits of empowering local actors to manage and implement climate actions are well documented (as discussed earlier in this brief), there are few initiatives designed to strengthen their capacities. Estimates of capacity-strengthening finance for these local actors are lacking, but overall urban climate finance flowing to regions like South Asia and sub-Saharan Africa was estimated at only $4 billion and $3 billion respectively for 2017 and 2018 (Negreiros et al. 2021). This highlights the gap in targeted funding and capacity-building efforts that are essential to enable local actors to effectively contribute to climate resilience.

Moreover, while a multitude of adaptation initiatives combining direct funding and capacity strengthening for local communities exist globally (Coger et al. 2022), these are generally very small scale, with only a few linking to wider policy and planning processes to increase their uptake and accelerate locally led approaches to adaptation and resilience (KII 6, 2024). Therefore, more capacity-strengthening initiatives need to target local actors.

Enhance management of real or perceived risks associated with ceding power and resources to local actors

Formal 'risk-sharing' mechanisms can be key to enabling locally led approaches to climate adaptation and resilience

The dominant risk management paradigm in the climate and humanitarian systems is focused on treating fiduciary, legal, programmatic and operational risks from an individual organisation perspective, which does not consider potential cascading effects on others in the system (The Risk Sharing Platform 2022). Within this paradigm, when an organisation chooses to avoid or reduce a risk, they may inadvertently and implicitly transfer this risk, or create new risks, to other actors who may be unable or unwilling to treat them (Hughes 2022). This cascading of risks can happen both vertically (in a funder-intermediary-local actor 'delivery chain') or horizontally (among funders or among intermediaries).

This tacit transfer of risks has not been conducive to locally led approaches for climate and humanitarian action. Evidence shows that local actors are often expected to bear – or end up bearing – the ultimate risks. These include security risks from working in insecure or conflict locations, without adequate compensation or technical support (GISF 2020; Ainsworth 2023) and risks of punitive financial penalties due to funders' ambiguous arrangements, or perverse 'don't see, don't tell' practices, to manage fiduciary risk, which have led local partners to adopt conservative delivery approaches (Hughes 2022; Pellowska and Fipp 2024). To manage their own fiduciary risks, intermediaries have also passed on additional compliance burdens to local organisations through their own due diligence process in addition to funders' requirements (Pinnington et al. 2024; KII 4, 2024). However, there is also evidence showing that intermediaries have played the opposite role by shielding local partners and bearing the financial costs where risks materialised (Pellowska and Fipp 2024). Yet these relationships are unsustainable because they depend on the intermediary discretion and capacity to write off such losses. Therefore, a different approach where risk is formally and equitably shared among actors is needed.

Vertical formal risk-sharing arrangements between funders, intermediaries and local actors, based on open and frank dialogues, can enable risks to be more clearly identified (distinguishing between real and perceived risks) and lead to better risk management outcomes (The Risk Sharing Platform 2022). The experience of the humanitarian systems in applying the 'Risk Sharing Framework' (see Box 3) demonstrates improved and more equitable outcomes in managing security and operational risks for all parties involved (Hughes 2022).

Horizontal formal risk-sharing agreements among intermediaries, or funders, could foster cross-sectoral coordination between humanitarian, development, climate and peacebuilding actors, especially in FCAS where real or perceived risks are heightened. In this manner, different actors can openly discuss trade-offs between different types of risks and focus on complementarities between their risk appetites and tolerances, organisational mandates, and strategic and operational strengths to create delivery partnerships (Cao et al. 2021). The experience of the Hospital Resilience Project in Afghanistan, initiated by the International Committee of the Red Cross (ICRC) following the withdrawal of development partners in August 2021, highlights critical questions about risk management and sustainability in cross-sectoral coordination. Although the ICRC sought to engage the World Bank to support the project's transition, these efforts were hampered by a lack of available funds in the Afghanistan Reconstruction (now Resilience) Trust Fund and the need to meet various fiduciary and operational requirements. This situation underscores the potential benefits of horizontal formal risk-sharing agreements among intermediaries and funders. Such agreements could enhance cross-sectoral coordination between humanitarian, development, climate and peacebuilding actors, particularly in fragile contexts where diverse risk appetites and constraints intersect. The Hospital Resilience Project's challenges illustrate the importance of fostering partnerships that align risk tolerances and operational strengths to better manage and transition complex projects (ICRC 2024).

Thus, both the humanitarian localisation and locally led adaptation agendas should consider more formal risk-sharing agreements to empower greater localisation of climate adaptation and resilience action. Such arrangements may be particularly helpful in FCAS where greater cooperation between all actors is required. The climate systems could learn from the growing humanitarian experience with the Risk Sharing Framework. Recently, the ICRC, Sida and the Swedish Red Cross have started a joint pilot of the framework in Somalia and Ukraine, focusing explicitly on sharing of fiduciary risks: a category of risks that has proven hard to share equitably due to funders' concerns about misuse of taxpayers' money. This pilot can generate important, wider learnings for all FCAS.

The humanitarian Risk Sharing Framework

Developed under the Grand Bargain, the humanitarian Risk Sharing Framework is a principled approach to guide dialogue and agreement on action to achieve "a reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materialising risks" among actors (The Risk Sharing Platform 2022, p. 6). The framework consists of eight principles to be applied throughout programme cycles to foster an open and frank dialogue about the risks that actors identify in the action they jointly pursue, without worrying that doing so may disadvantage them in some way and find risk-sharing opportunities to better achieve collective objectives. The framework aims to improve and formalise ex-ante and ex-post risk management approaches and tools, such as the creation of organisational policies, guidelines, contingency plans, better partnership agreements and contracts. The framework can be applied among actors in a 'delivery chain' (such as funder-intermediary-local actor) or between categories of actors (such as donor-donor, intermediary-intermediary) in a common landscape of action.

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"If only we knew what happens around that last bend."

CBA14 Conference

Pat Byrnes / CartoonCollections.com

Design funding mechanisms that support local actors' capacity to directly access finance and deliver climate action

Humanitarian and climate funders should pay realistic and equitable overhead costs to strengthen local organisations' financial, administrative and management systems

The current landscape of capacity-building efforts reveals a disparity, with dedicated climate readiness programmes primarily targeting national ministries and institutions rather than local actors. Consequently, general funding for strengthening local capacities often hinges on how much finance intermediaries allocate from the adaptation and humanitarian project contracts they manage (given that most of both sources of finance is channelled through international and multilateral organisations).

In the humanitarian system, the allocation of overhead costs to local subcontractors is a contentious issue. Typically, intermediaries' formal policies earmark around 7–8% of project costs for overheads (Development Initiatives 2023). However, this allocation falls short of the actual overhead costs incurred by small local organisations, which research indicates can average around 40% (Ainsworth 2023). This shortfall perpetuates a 'starvation cycle' for small CSOs, where funders favour leaner organisations, leading many to underreport their true overhead rates (Ainsworth 2023). Another challenge is the discrepancy between the overhead costs of local and international staff in the same organisation, whether considered a local or intermediary organisation. International staff typically have higher overhead costs, which can exacerbate the financial strain on local sub-awardees. Small organisations also struggle with a lack of economies of scale and difficulty in recovering costs as effectively as larger organisations. Moreover, international intermediaries often do not recoup their overhead costs in full either, making it challenging to pass an equitable share to their local sub-awardees.

In the climate system, large funders like the GCF exhibit similar levels of earmarking for overhead costs (GCF, 2018). However, formal policies on these costs are rarely discussed in climate governance, despite the many critiques from civil society about the limited portion of adaptation finance that directly benefits actors on the ground.

Providing adequate overhead costs is crucial to building local organisations' financial, administrative and management systems. These organisational systems form the backbone of 'local capacity', enabling not only the sustainable running of local CSOs, but also their ability to cultivate community relationships, ensure accountability to them, and navigate complex local contexts. They also lay the foundation to access larger sources of international climate and humanitarian finance more directly. Therefore, funders need to rethink their formal policies about paying overhead costs and set the right incentives for intermediaries to pass an equitable share of these costs to local actors in both the humanitarian system and the climate system particularly. The World Bank-supported $250 million FLLoCA programme in Kenya may provide an opportunity to start exploring this issue among climate actors.

Improve the data ecosystem to track local-level climate adaptation and humanitarian finance

Both the climate and humanitarian systems need to develop clear frameworks to report local-level finance to avoid problems of over or underestimation and creating perverse incentives that channel funding away from local partners

There is a lack of data coverage and reporting in both the climate and humanitarian systems about how much finance reaches the local level. The challenge of defining the local level complicates further the tracking of finance reaching said level. In the climate system, countries report their climate finance provision to the UN Framework Convention on Climate Change (UNFCCC) and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) (in the form of development finance targeting climate objectives), but they are not required to report information on how much finance is directed to local actors. In the humanitarian system, indirect funding to local actors (after funds pass through the first layer of UN agencies and INGOs) is not well reported by intermediaries to the UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking System (FTS). Therefore, figures for local adaptation funding are usually based on estimates, case studies, or ad hoc methodologies and can vary widely (UNEP 2023). Conversely, only a partial view of local humanitarian funding is possible, and this focuses on direct flows from funders to local actors without accounting for those that are passed on by intermediaries (KII 1 2024, 1; ALNAP 2022).

Both climate and humanitarian funders and intermediaries need to improve their data ecosystems . While data is not an end in itself, it can be crucial to inform strategies, policies and programming. To do so, attention needs to be paid to how localisation is defined to avoid problems of over or underestimation, as well as creating perverse incentives to channel funding away from local partners. For instance, while its localisation commitments are more advanced than other funders, USAID considers organisations that are a subsidiary of international organisations to be local, regardless of whether they are staffed and governed by local people (Forster, Paxton and Grisgraber 2023). It also excludes finance that covers USAID administration and personnel costs, programmes implemented by UN agencies and development banks, and personal service contracts from its 25% localisation financial target, removing significant finance from consideration for localisation (Forster, Paxton and Grisgraber 2023).

A formal definition of local actors exists under the Grand Bargain in the humanitarian system which enjoys acceptance (ALNAP 2022). Therefore, the issue is for humanitarian intermediaries to improve their reporting practices within the existing framework. For climate actors working on locally led adaptation, there is an opportunity to capitalise on the work of the Paris Roadmap for Tracking of Funds to Indigenous People initiated by the Charapa and the Global Alliance of Territorial Communities (2023). This multistakeholder initiative is developing a common framework of classifications, terms and standards for reporting and tracking funding for Indigenous Peoples that can be adopted by the OECD DAC and other data systems.[6] Therefore, climate actors should engage with the process to ensure alignment of the common framework and the Principles for Locally Led Adaptation to the extent possible.

6 The initiative builds on the recommendations that the UN Permanent Forum on Indigenous Issues made to the OECD DAC in 2023, to include a policy marker in its system for donor reporting to facilitate tracking of funding allocated for Indigenous Peoples across all sectors (UNPFII, 2023, art. 93).

Conclusions and recommendations

This policy brief has analysed the intersection of the locally led adaptation and humanitarian localisation agendas, and identified entry points to enhance both processes, jointly where possible, to improve the effectiveness, efficiency and equity of climate adaptation and resilience action and support the operationalisation of the HD(C)P nexus in FCAS.

The centrality of locally led adaptation is growing in the UNFCCC processes, gaining importance under many agenda items. Countries recognise the importance of developing locally led adaptation elements in their Nationally Determined Contributions (NDCs) updates (NDC Partnership 2023) and National Adaptation Plans (NAPs) (Rodríguez, Ledwell and Bankole 2023; OECD 2023). The Principles for Locally Led Adaptation figure prominently throughout the decision text of the Glasgow–Sharm el-Sheikh work programme on the Global Goal on Adaptation, agreed at COP28 (UNFCCC 2023). Locally led adaptation may also become a crucial element of the new collective quantified goal on climate finance (NCQG), to be determined at COP29 in 2024. Technical discussions about the new goal have mentioned it possibly featuring sub-goals on specific allocations for capacity constrained countries, direct access for subnational governments and communities, and approaches promoting gender-responsiveness and inclusivity (UNFCCC 2022).

Outside the UNFCCC, principles and effectiveness of localisation are well established in the humanitarian system, though implementation needs to accelerate. Cross-cutting locally led action in HD(C)P processes is gaining prominence in conversations around filling the climate resilience gap in FCAS. The COP28 Declaration on Climate, Relief, Recovery and Peace, which commits actors working across the HD(C)P nexus to bolder, collective action in FCAS (COP28 Presidency 2023), and the Getting Ahead of Disasters Charter, which mobilises finance for early warning and anticipatory action in communities at risk (REAP Secretariat 2024), have both emphasised the importance of locally led action.

Based on the findings of this brief, the following recommendations are provided to funders and intermediary organisations in the climate and humanitarian systems, to accelerate locally led approaches to climate adaptation and resilience.

Recommendations to donors and funders

1 OECD DAC funders should develop cross-departmental localisation strategies across their ODA portfolios. Given the intersections of the locally led adaptation and humanitarian localisation agendas and the common barriers experienced – and therefore the opportunities these create – OECD DAC funders should create integrated localisation strategies across their climate, development and humanitarian portfolios to improve coherence across the commitments and initiatives advancing in parallel in the climate and humanitarian systems and break down internal departmental silos. Clarity in defining 'localisation' and 'local actors' will be crucial to effectively monitor progress on targets outlined in these strategies, emphasising the need for transparent methods to establish clear parameters of what constitutes as 'local'. Such strategies will also need to include clear incentives for intermediaries to accelerate the localisation of their operations.

2 OECD DAC funders to support ongoing initiatives to track finance to local communities. The absence of data and tracking systems at national and international reporting level in both the climate and humanitarian systems hampers transparency and prevents holding international actors accountable to their commitments. The Global Alliance of Territorial Communities, together with funders, UN agencies and civil society partners, is developing the Paris Roadmap for Tracking of Funds. A key component of this effort is the introduction of a clearly defined local funding policy marker in the OECD DAC system, ensuring that the term 'local' is clearly understood and consistently applied. While existing markers for local governments and NGOs may cover some aspects, it is crucial that funders demonstrate transparency and adaptability by showing how they enable flexibility through changes in their actions, aligning with a clear and consistent definition of the local level. OECD DAC funders should also ensure that processes to revise the Paris Agreement's Enhanced Transparency Framework (ETF) include robust mechanisms for reporting on adaptation action and progress under the Global Goal on Adaptation, specifically focusing on climate finance for local actors. To ensure these metrics have a meaningful impact, it is crucial that the ETF incorporates a monitoring framework that allows for the refinement of indicators over time and supports a process of continuous improvement and peer learning.

Recommendations to intermediary organisations

3 Intermediary organisations should undergo a significant shift in their roles from manager to enabler to better support local actors. Rather than managing finance and programmes directly, intermediaries should focus on creating systems to determine when their involvement is truly necessary. Their role should then be to shield local partners from complex donor reporting requirements and obstacles, serving instead as providers of technical support and advocates for local actors. Intermediaries should develop strategies and plans to play complementary roles in support of local actors' thought leadership and programme design. Often international and multilateral organisations default to direct implementation with predetermined ways of working with local actors based on their own capacities, whereas other intermediated roles may be a better fit for the context (Lees et al. 2021). For instance, intermediaries have effectively shielded local actors from excess bureaucracy and provided technical support desk or advocacy functions to amplify local actors' voices. Developing such strategies and plans is an intentional process for intermediaries to transition away from acting only as managers of finance and programmes; they could even be developed at a country level as long-term, aspirational 'exit strategies'.

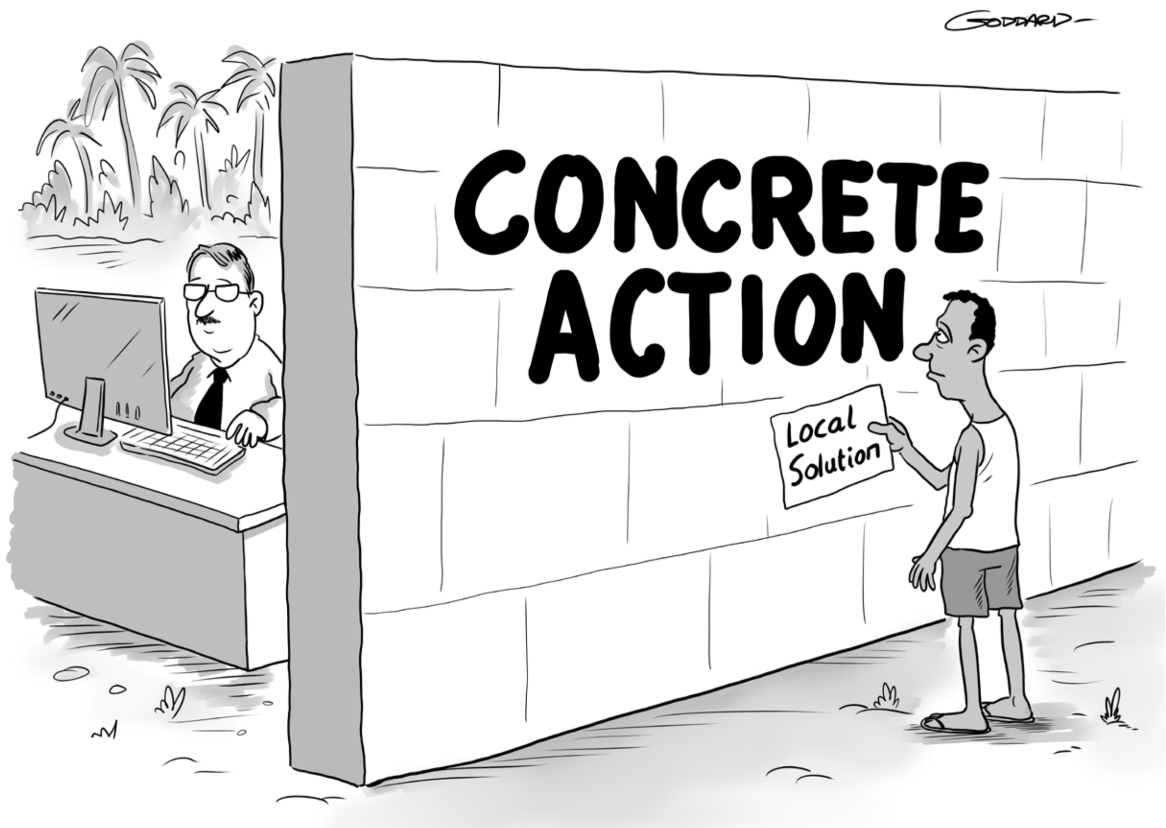
4 Intermediary organisations should broaden their capacity-strengthening efforts to encompass local knowledge and reach subnational levels. Capacity for local actors should be expanded to include a broader range of skills and knowledge. This involves fostering strong community relationships, using indigenous and local knowledge, ensuring accountability to communities, and developing sustainable financial and administrative systems. Such comprehensive capacity strengthening is crucial for local actors to effectively lead climate adaptation and resilience initiatives. New strategies to rethink intermediaries' roles in relation to local actors would also help to amend and expand funders' idea of 'local capacity', shifting the focus from 'quantums' of compliance and technical expertise to an emphasis on 'quality' that is built over time and embedded in wider systems of governance. These strategies and plans should include mechanisms to hold intermediaries accountable to local actors and to be interrogated by funders, such as direct feedback channels between local actors and funders.

5 Intermediary organisations, and to some extent funders, should focus coordination and programming closer to affected populations, at the local government level, to enhance the HD(C)P nexus and fill the climate resilience gap in FCAS. Area-based coordination and programming approaches can support linking, layering and sequencing of multiple types of activities between humanitarian, climate, development and other intermediary actors. This will require clear communication channels and flexibility to adjust programmes as needed to respond to dynamic contexts, which can ultimately better serve local people and communities.

Joint recommendations for funders and intermediaries

6 Climate funds should start piloting risk-sharing approaches, together with intermediaries and local actors, learning from the ongoing implementation experience of the humanitarian Risk Sharing Framework. This will support better understanding and management of risks from a collective perspective, which accounts for the costs of inaction and failure to deliver on climate adaptation objectives. It can also help in formalising risk management of fiduciary risks in a way that decreases uncertainty for local actors and leads to better adaptation outcomes. Risk sharing can be particularly useful in FCAS contexts where all actors must work together.

7 Bilateral and multilateral funders and intermediaries in both climate and humanitarian systems should establish more realistic and equitable sharing of costs. Funders need to provide stable, long-term funding to local actors, which includes not just overhead costs but broader core support. This is essential for training and retaining skilled staff, piloting, scaling ideas and ensuring sustainability. Adequate overhead costs and core funding will enable local actors to build their administrative, financial and management systems, therefore laying the foundation to access larger sources of international climate and humanitarian finance more directly in the future. While this is a key debate in humanitarian funding localisation, the climate sector needs to engage with this conversation more formally.



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Annex

Research methodology

Research for the policy brief included a broad literature review focused on organisations engaged in locally led adaptation and humanitarian localisation, including ODI, the World Resources Institute (WRI), International Institute for Environment and Development (IIED), Humanitarian Advisory Group, International Federation of Red Cross and Red Crescent Societies (IFRC), International Committee of the Red Cross (ICRC) and other relevant stakeholders in the field of climate adaptation and resilience. The review also delved into key international policy frameworks, including the Principles for Locally Led Adaptation, the Grand Bargain and UN Framework Convention on Climate Change (UNFCCC) processes and decision texts.

In addition to the literature review, interviews were conducted using purposeful sampling of experts. Although interviews with representatives from local communities and local NGOs were deemed valuable, logistical constraints within the research timeframe necessitated their exclusion from this study. A total of 13 interviews were carried out:

1. IFRC, 1 February 2024
2. Adelphi, 16 February 2024
3. British Red Cross, 19 February 2024
4. Start Network, 21 February 2024
5. Kenya Red Cross, 21 February 2024
6. Save the Children, Somalia, 26 February 2024
7. World Resources Institute, 26 February 2024
8. ODI, 27 February 2024
9. ODI, 28 February 2024
10. ICRC, 27 February 2024
11. NDC Partnership, 28 February 2024
12. Risk-informed Early Action Partnership, 29 February 2024
13. Foreign, Commonwealth and Development Office, 11 March 2024.

While recognising the importance of private capital and the private sector in climate action, this policy brief focused on the public sector and public bilateral and multilateral finance.

Definition of local actors

This policy brief recognises that many definitions and interpretations of local actors exist both within and between the climate and humanitarian systems. These definitions are influenced by the respective institutional histories and the localisation processes occurring within each system to devolve resources and decision-making power to design, implement and monitor and evaluate interventions at the most appropriate level.

In the climate system, local actors are frequently referred to as those operating at the subnational scale, consisting of small, closely connected groups of people or communities that are closer to the problem of climate change. The term is often juxtaposed to national or global actors, even though it can also refer to the national context when used to contrast it to global climate policy making that occurs in international institutions and to describe direct access to multilateral climate funds. Because of this, those in the locally led adaptation community are proposing for each intervention to self-define what local means, and therefore who the local actors are, within their context (Rahman et al. 2023).

The humanitarian system, through the Grand Bargain Localisation Workstream, has crafted an official definition of local non-state and state actors that has been formally agreed by signatories. However, this is by no means universally accepted, especially at country level in terms of supporting locally led humanitarian action (ALNAP 2022). The definition includes "organisations engaged in relief that are headquartered and operating in their own aid recipient country and which are not affiliated to an international NGO" and "State authorities of the affected aid recipient country engaged in relief, whether at local or national level" (IASC 2018).

Acknowledging these differences, this brief uses a working definition of local actors to include:

- state institutions operating at the first level of subnational administrative division and below
- non-governmental organisations (NGOs), civil society organisations (CSOs), community-based and grassroots organisations, and private sector organisations operating in the countries where they are legally or informally 'headquartered'
- households and individuals.

Definition of intermediary organisations

Intermediary organisations – or bridging organisations, boundary organisations, middle actors –operate within a network of other actors by playing a variety of functions and roles, such as aggregating knowledge and fostering learning, and operating within different spaces, such as making connections and reordering relationships between different levels of governance. Therefore, they are usually defined through a relational process based on the context in which they operate (Beveridge 2019).

This policy brief adopts a financial intermediary perspective and defines intermediary organisations as: international entities that enable international finance for climate adaptation and resilience to flow from its sources in the Global North to users in the Global South. They mostly include intergovernmental organisations, such as UN agencies and multilateral development banks, and INGOs that act as conduits for conceiving, developing, planning, implementing and governing climate projects in low- and middle-income countries, recognising that they can often act as funders themselves (Chaudhury 2020). The definition can also include advisory firms, research organisations and academic institutions, though these are not the focus of this policy brief.

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