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

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

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Foreword

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

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

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

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

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

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

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

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Introduction

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

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

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

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

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

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

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

The LoCAL mechanism ensures the following four outputs:

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

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— Output 2: Mainstreaming climate change adaptation into government planning and budgeting systems, and investments are implemented in line with the PBCRG system.

— Output 3: Improving subnational authorities' chances of accessing and effectively using wider sources of climate funding.

— Output 4: Increased recognition of the role of subnational authorities in addressing climate change adaptation at the international level, through outreach, learning and quality assurance.

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

In this document, the following verbal forms are used:

— "shall" indicates a requirement;

— "should" indicates a recommendation;

— "may" indicates a permission;

— "can" indicates a possibility or a capability.

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

1 Scope

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

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

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

2 Normative references

There are no normative references in this document.

3 Terms, definitions and abbreviated terms

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

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

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at https://www.electropedia.org/

3.1 Terms and definitions

3.1.1 Terms related to climate change and its impacts

3.1.1.1
climate change
change in climate that persists for an extended period, typically decades or longer

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

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

[SOURCE: ISO 14090:2019, 3.5]

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3.1.1.2
impact
effect on natural and human systems

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

[SOURCE: ISO 14090:2019, 3.8]

3.1.1.3
hazard
potential source of injury or damage to the health of people, or damage to property or the environment

[SOURCE: ISO 14050:2020, 3.1.8]

3.1.1.4
risk
effect of uncertainty

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

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

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

3.1.1.5
exposure
presence of people, livelihoods, species or ecosystems, environmental functions, services, resources, infrastructure, or economic, social or cultural assets in places and settings that can be affected

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

[SOURCE: Adapted from IPCC, 2014]

3.1.1.6
vulnerability
<climate change> propensity or predisposition to be adversely affected by climate variability or *climate change* (3.1.1.1)

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

[SOURCE: ISO 14050:2020, 3.8.13]

3.1.2 Terms related to parties

3.1.2.1
interested party
person or organization that can affect, be affected by, or perceive itself to be affected by a decision or activity

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

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

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

3.1.2.2
subnational authority
level of government that is below national government

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

3.1.3 Terms related to adaptation

3.1.3.1
climate change adaptation
adaptation to climate change
process of adjustment to actual or expected climate and its effects

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

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

[SOURCE: ISO 14090:2019, 3.1]

3.1.3.2
national adaptation plan
NAP
national document containing adaptation priorities and planned activities (policies, projects and programmes) including an implementation strategy for a given period (e.g. 3 to 5 years)

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

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

3.1.3.3
mitigation
human intervention to reduce greenhouse gas (GHG) emissions or enhance GHG removals

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

3.1.3.4
adaptive capacity
ability of systems, institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences

[SOURCE: ISO 14090:2019, 3.2]

3.1.3.5
resilience
adaptive capacity (3.1.3.4) of an organization and communities in a complex and changing environment

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

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

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

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

3.1.3.6
local climate adaptive living
LoCAL
country-based mechanism to channel climate finance to *subnational authorities* (3.1.2.2) that combines *performance-based climate resilience grants* (3.1.3.7) with technical assistance and capacity building

[SOURCE: Adapted from UNCDF, 2018]

3.1.3.7
performance-based climate resilience grant
PBCRG
earmarked cross-sectoral grant with conditions attached to the use of its funding for *climate change adaptation* (3.1.3.1) beyond business as usual

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

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

[SOURCE: Adapted from UNCDF, 2018]

3.1.3.8
investment menu
list of common types of actions within the mandate of *subnational authorities* (3.1.2.2) which can promote climate *resilience* (3.1.3.5) and are eligible for performance-based climate resilience grant financing

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

[SOURCE: Adapted from UNCDF, 2018]

3.1.3.9
maladaptation
actions intended to contribute to *climate change adaptation* (3.1.3.1), but which can lead to increased *risk* (3.1.1.4) of adverse climate-related *outcomes* (3.1.4.3), increased *vulnerability* (3.1.1.6) to *climate change* (3.1.1.1), or diminished welfare, now or in the future

[SOURCE: Adapted from IPCC, 2014]

3.1.3.10
minimum condition
<performance-based climate resilience grant> basic requirements with which *subnational authorities* (3.1.2.2) must comply to access *performance-based climate resilience grants* (3.1.3.7)

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

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

[SOURCE: Adapted from UNCDF, 2018]

3.1.3.11
vertical integration
process of creating intentional and strategic linkages between national and subnational adaptation planning, implementation, and monitoring and evaluation (M&E)

[SOURCE: Adapted from NAP Global Network, 2022]

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3.1.4 Terms related to monitoring

3.1.4.1
monitoring
routine collection and analysis of information to track programmes against set plans and check compliance with established standards

[SOURCE: Adapted from IFRC, 2011]

3.1.4.2
indicator
quantitative, qualitative or binary variable that can be measured, calculated or described, representing the status of operations, management, conditions or *impacts* (3.1.1.2)

[SOURCE: ISO 14050:2020, 3.2.24]

3.1.4.3
outcome
<local climate adaptive living> primary results that lead to achievement of the objective

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

[SOURCE: Adapted from IFRC, 2011]

3.1.4.3.1
outcome indicator
used to demonstrate that an objective of an investment has been achieved

Note 1 to entry: Refer to Annex B for some examples.

[SOURCE: Adapted from Spearman and McGray, 2011]

3.1.4.4
output
tangible products, goods and services and other immediate results that lead to achieving the *outcomes* (3.1.4.3)

[SOURCE: Adapted from IFRC, 2011]

3.1.4.4.1
output indicator
indicator (3.1.4.2) to measure activities and resources that contribute to achieving the *outcomes* (3.1.4.3)

Note 1 to entry: Refer to Annex C for some examples.

3.1.4.5
evaluation
systematic process that compares the result of measurement to recognised criteria to determine the discrepancies between intended and actual performance

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

[SOURCE: ISO 22398:2013, 3.4]

3.1.4.6
performance metrics
<local climate adaptive living> set of *indicators* (3.1.4.2) against which *subnational authorities* (3.1.2.2) are assessed on an annual basis

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

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