CIF CLIMATE INVESTMENT FUNDS

RESOURCING LOCAL ACTORS AND COMMUNITIES

A Transformational Change Learning Partnership Resource

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TRANSFORMATIONAL CLIMATE FINANCE GUIDANCE SERIES //

TOPICS

- Transformational Climate Finance
- Locally-led Finance
- Transformational Change

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SUMMARY

SOLUTION PROFILE

This guidance focuses on inclusive strategies for directing climate finance to local communities and engaging local actors in determining investment needs and priorities.

Status: Emerging, with ongoing initiatives generating insights on the ground.

Primary Audience: Climate Funds, multilateral development banks, bilateral donors, international organizations, and national governments, also of interest to local governments and civil society organizations.

Relevant TCF Principles: 1. Focus on varied needs and contexts. 2. Be boldly inclusive. 3. Unlock systemic change. 4. Provide de-risked, small, and decentralized solutions. 5. Streamline processes. 6. Leverage cooperative structures to mobilize finance. 7. Create robust systems for monitoring, evaluation, and learning.

Local agency is vital for climate action initiatives, as it underscores the need to empower the most vulnerable, often marginalized communities who bear the impact of climate shifts. Yet, traditional top-down approaches have often sidelined these voices, rendering them as only beneficiaries, rather than active shapers of their own strategies. Local stakeholders and communities possess invaluable knowledge, and often require direct resources and strong technical expertise to lead effectively.

Achieving these goals calls for a transformative shift in climate finance aimed at empowering local stakeholders through financial resources, expertise, and training, with a prospective to re-balance power dynamics and enhance equity and inclusion. These considerations are also associated with the commitments of developing countries to decentralization, alongside community-based and locally led adaptation.

Aligned with the mission of the Transformational Change Learning Partnership (TCLP), this note aims to provide a series of considerations for stakeholders involved in redirecting climate resources towards local actors. The key themes addressed in this and other guidance notes build on the work carried out under the Transformational Climate Finance workstream of the Transformational Change Learning Partnership (TCLP), through webinars, workshops, and other interactions among the TCLP community of practice, as well as knowledge products being developed. The following considerations should be implemented while responding to specific contexts of ongoing cases and initiatives, bearing in mind the stakeholders involved.

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1. THE KEY ROLE OF LOCAL ACTORS IN ACHIEVING TRANSFORMATIONAL CHANGE

The global structure for climate finance has mobilized hundreds of billions of dollars[1] for mitigation and adaptation in the last two decades. However, the way finance is delivered—mainly through traditional development assistance channels, and focused on specific projects, rather than systemic interventions—may have limited its transformational impact.[2] As awareness of the need for transformation and for just climate transitions has grown, the role of local actors has risen to prominence. Members of local communities possess crucial knowledge about their own needs and priorities that can inform more effective, context-specific action. However, local actors have often been excluded from decision-making about development and climate interventions, their input limited to brief consultations. This reinforces structural inequalities and marginalization and deepens climate vulnerability.[3]

Recognizing this problem, governments and bilateral and multilateral finance institutions are increasingly seeking to direct a larger share of climate finance to local actors and communities and give them a much greater say in how it is used. For example, more than 120 governments, global institutions, and non-governmental organizations (NGOs) have endorsed the Principles for Locally Led Adaptation.[4] This shift represents a commitment to more equitable and sustainable approaches, ensuring that those on the front lines of climate change have the resources and agency to address their concerns. Indeed, if followed through, this marks a fundamental reconfiguration of power dynamics in development policy, planning and finance.

2. SUPPORTING AND ENGAGING WITH LOCAL ACTORS THROUGHOUT THE PROJECT CYCLE

The TCLP's seven guiding principles[5] emphasize the importance of understanding and catering to diverse contexts and needs; actively promoting inclusivity; unlocking systems change; providing de-risked, small, and decentralized solutions; streamlining processes; fostering collaborative efforts to mobilize finance; and establishing robust systems for monitoring, evaluation, and learning.

This section applies those principles as well as insights drawing from the Kenya experience around devolved finance with the County Climate Change Funds (see Annex 1 for details), when considering how to support and engage with local actors and communities throughout the project cycle to promote transformational change.

2.1 Conception and Design

As projects are conceived and designed, it is crucial to recognize that climate action does not occur in a vacuum but is rather influenced by socio-political dynamics. **Incorporating local perspectives and knowledge from the outset** can ensure that the project design is aligned with community values and aspirations and fits within the local culture, increasing the likelihood of success. **Understanding the political landscape** can help to identify entry points and barriers to transformation and to design appropriate strategies.

Project design should also **ensure meaningful stakeholder engagement throughout the project lifecycle.** For this phase, it can involve consultations

during project preparation, clear and accessible mechanisms for information requests and open disclosure of project status.[6] It is also essential to allocate resources for robust local capacity building, as will be covered later, to ensure that community members possess the knowledge and tools to fully participate and ultimately lead the planning process, supporting project buy-in.

Establishing **principles of social inclusion** while constructing an initiative is key to ensuring equitable representation and amplifying the voices of marginalized individuals. This approach can cover inclusion of processes, engaging local stakeholder in project implementation, inclusion of policies, making sure initiatives can be accessed in a fair way, or inclusion of impacts, guaranteeing equitably distributed benefits.[7] Laying this groundwork addresses both climate goals and broader societal needs, challenges long-standing structures that have systematically excluded groups, including women, youth, ethnic minorities, people with different abilities, from meaningful participation. This underscores the imperative for gender-responsive and transformative project design, as well as intersectional approaches.

2.2 Implementation

During this phase, an opportunity to recognize local insights, foster innovation, and enhance ownership and accountability can be found by **decentralizing decision-making processes.** To this end, investments consolidate local conditions for suitable institutional frameworks for climate action, robust information systems, strong governance approaches and effective coordination mechanisms.[8] At the implementation stage, this approach can enable local actors to adapt projects over time, based on the benefits and challenges perceived at local level. It effectively rebalances power dynamics and elevates impacted voices, fostering transformational change in climate finance that extends beyond financial investments.

Providing certainty on resource allocation for implementation empowers stakeholders to make informed decisions and mobilize funds, while minimizing delays and enhancing trust. This not only addresses global climate commitments,[9] but is a tool to safeguard projects from budget fluctuations; and render initiatives more sustainable in the long term.

Integrating local knowledge with climate information systems is crucial to effective planning and decision-making at the local level. Community members require access to downscaled data about current and projected future climate conditions. Their own knowledge and experience, in turn, can shed light on how climate information translates into impacts on local livelihoods and living conditions, as well as traditional adaptation strategies and locally generated ideas for climate investments. This combination of local and scientific knowledge equips decision-makers with a comprehensive understanding of the local context, enabling them to implement more effective interventions.

Promoting transformative partnerships led by local champions can provide dynamic and diverse platforms for sharing best practices, pooling resources, and amplifying the impacts of climate finance. Stakeholder mapping during the design phase will facilitate the process of identifying and establish spaces for engagement between key stakeholders. These partnerships can bring together local community groups, government officials, NGOs, and private sector entities, to identify and pursue opportunities to achieve transformational change. Fostering these alliances can also help ensure that projects leave a legacy of sustainable and scalable change, well beyond project completion.

A structured, **phased approach to implementation** can enable project teams to “learn by doing”, testing new elements on a small scale first, in a pilot phase; making improvements in collaboration with local actors; and gradually scaling up and rolling out additional elements. Such an approach breaks down implementation into manageable stages, mitigates risks, and enables local actors to play a more meaningful role in shaping the project through robust stakeholder engagement and monitoring, evaluation, and learning processes. By the time a project is scaled up, its key elements have been fully tested and improved on the ground, increasing the likelihood of success.

Lastly, support for and engagement with local actors during project implementation can benefit from focusing on **key dimensions of transformational change,** including:

- **Scale:** Can initiatives be expanded to reach a broader audience and adapted to other settings?
- **Adaptive capacity:** Is there built-in flexibility to respond to evolving climate challenges and local dynamics?
- **Systems change:** Are established structures that perpetuate inequalities and vulnerabilities being dismantled?
- **Speed:** Have processes been streamlined, and is knowledge being disseminated quickly enough, to accelerate change and respond promptly to emerging challenges?
- **Relevance:** Are project activities aligned with national policy frameworks and climate objectives, so they can contribute to systemic, transformational change?

2.3 Monitoring, Evaluation, and Learning

Adaptive learning, understood as a systemic method to generate knowledge based on the ever-evolving relationship between individuals and their ecosystem,[10] promotes knowledge-sharing, accountability, and collaboration, cultivates a culture of collective learning, and empowers communities to assess interventions in real time and adjust as needed, optimizing resource allocation. On a broader scale, it provides implementers and donors with insights from various contexts and allows them to improve strategies and redirect resources as appropriate.

3. INSIGHTS AND EFFECTIVE PRACTICES

3.1 Partnerships and Collaborations

As mentioned above, an effective stakeholder engagement promotes the project's efficacy and sustainability, by facilitating resource-sharing including investments, expertise, and best practices. To this end, conducting a comprehensive **multi-level stakeholder mapping** sheds light on the landscape of interactions, needs, and potential contributions of diverse actors and it enables the formulation of effective strategies to balance power dynamics. This mapping can include the development of a matrix of actors at the local, national and international level — including not only those involved in the initiative, but also potential beneficiary or impacted populations, as well as potential allies in the region, who might not form part of the "usual suspects". It will also include an accounting of the relationships between stakeholders, including flows of resources and information, potential partnerships for project activities, and result and impact reporting.[11]

Capacity building that is context responsive equips individuals and organizations to take ownership of climate finance projects, make informed decisions, and implement sustainable solutions effectively. This, in turn, fosters resilience, ensuring that communities are better prepared to adapt to ongoing climate challenges. It is not just an investment in the present, but a catalyst for long-lasting transformation, where local actors and communities emerge as capable stewards of their own environmental and economic future.

3.2 Communications

When stakeholders — including local actors, funders, governmental bodies, and communities — **establish open communication channels,** they can better understand one another's goals as well as the project's progress and challenges. This can include the effective use of region-appropriate languages and dialects, considering literacy and numeracy gaps, understanding methods of communication according to local context and norms, and ensuring communities take active part in the communication flows. Transparent communication fosters a sense of ownership, empowering local actors to actively engage in decision-making processes, while enabling early identification of issues, allowing for timely course corrections and resource reallocations.

Moreover, meticulous documenting of the **progress and impact reporting** from a communications point of view are vital for a sustainable, inclusive and effective climate finance initiative where resources are channeled with a purpose to empower local actors and communities. Internally, robust reporting provides clarity of resource use, facilitating data-driven decisions and course correcting. Externally, transparency builds trust among funders, policy makers, implementers, and beneficiaries facilitating knowledge-sharing for new initiatives to benefit from lessons learned.

ANNEX 1: KENYA'S COUNTY CLIMATE CHANGE FUND (CCCF)

SUMMARY

The implementation of devolved climate finance in the drylands of Kenya played a crucial role in shaping localized climate finance approaches and greatly influenced the formulation of the Principles for Locally Led Adaptation, which have now been embraced by over 120 organizations.

The County Climate Change Fund (CCCF), which is now being rolled out nationwide, highlights the successful and efficient channeling of global climate finance to support climate-resilient development and effective adaptation in the most vulnerable communities.

Geographic focus: Sub-national

Inception Date: 2013

The experience of the County Climate Change Funds (CCCF) in Kenya is seminal in the progress of devolved climate finance approaches and the promotion of transformational, locally led climate adaptation.

The CCCF was established to direct climate finance to the local level, addressing the priorities of communities in Kenya's arid and semi-arid lands. Covering 80 percent of Kenya's land area and housing over 10 million people, these regions are highly susceptible to climate change impacts. The initiative aimed to provide flexible resources for tackling climate adaptation barriers caused by structural inequalities and gaps in planning.

How it works

The CCCF mechanism consists of four complementary elements:

- Decentralized finance through county-managed funds for climate action, prioritizing projects identified by local communities, and using resources from public and private sectors at local, national, and international levels.
- Climate change planning committees at both the county and ward levels, ensuring public participation.
- Integration of Climate Information Services and local knowledge to empower communities and facilitate impactful local climate initiatives and foster resilience planning tools.
- Implementation of monitoring, evaluation, and learning processes to follow up on outcomes and facilitate the exchange of insights among wards and counties.

Results

The CCCF mechanism allowed community inclusion and participation in decision-making processes for investments and county development planning, ultimately increasing communities' climate resilience. This approach mobilized county public finance towards community resilience objectives, ensuring fair resource allocation outcomes. Moreover, locally agreed-upon rules and reciprocal arrangements with neighboring communities have minimized conflicts, particularly in managing common grazing areas. Increased public participation led to improved implementation standards. Moreover, the mechanism's emphasis on ward planning committees and county integrated development plans, strengthened citizen participation with heightened engagement of women and youth and better integration of climate change concerns into planning and budgeting.

Lessons and insights

- Strict inclusion criteria for ward planning committees were initially set within the CCCF mechanism and gradually broadened to include disability, youth, and gender. The principle of selecting committee members through a bottom-up democratic process was equally significant, guaranteeing the commitment of representatives to transparency and the common welfare.

- Decisions for local investment priorities were made at the ward level. Budget allocations were distributed among county level investments, and participatory planning and consultation systems, under supervision of the county planning committee.

- Providing ward committees with a guaranteed finance volume fostered trust and enabled them to acquire the skills needed for strategic investment prioritization.

- The collaboration between the Kenya Meteorological Department and the CCCF pilot yielded significant learning advantages, as communities gained insights into climate impacts and improved their ability to plan adaptation measures, while the Meteorological Department learned how to make its work more community-relevant. The use of innovative tools such as participatory digital resource mapping, allowed for the incorporation of local knowledge.

- Robust principles for equity, inclusion, and sustainability were established, and its adoption ensured by all stakeholders to improve local ownership and enable the impacts of local initiatives to be sustained and scaled up.

- Transparency and community engagement was embedded within monitoring, evaluation, and learning systems.

- Learning through practical experience, with donor support, played a vital role. Bilateral donors willing to take risks were essential for developing the participatory planning, implementation, and governance system.

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ENDNOTES

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THE CLIMATE INVESTMENT FUNDS

The Climate Investment Funds (CIF) was established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. Fourteen contributor countries have pledged over US$11 billion to the funds. To date CIF committed capital has generated an additional US$62 billion in co-financing for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing. It tests new business models, builds track records in unproven markets, and boosts investor confidence to unlock additional sources of finance. The CIF is one of the largest active climate finance mechanisms in the world.

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