



**LIFE-AR**

LDC Initiative for Effective  
Adaptation and Resilience

## **Business Unusual Approaches To Climate Finance Allocation**

Lessons on investing at least 70%  
behind community priorities

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***Business unusual approaches to climate finance allocation:*** *Lessons on investing at least 70% behind community priorities*

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# Abbreviations

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<b>A</b>	ADCs	Area Development Committees in Malawi
	ADCT	Agence Nationale d'Appui au Développement des Collectivités Territoriales
<b>C</b>	COP	UNFCCC Conference of the Parties
	CRF	Climate Resilience Fund in Uganda
	CRGE	Climate Resilient Green Economy
	CRVAs	Communities Risks and Vulnerabilities Assessments
<b>D</b>	DCF	Devolved Climate Finance
	DDEG	Discretionary Development Equalisation Grant
	DDPs	District Development Plans in Malawi
<b>F</b>	FPDCT.	Fonds Permanent pour le Développement des Collectivités Territoriales
	FRC	Front Runner Countries
<b>G</b>	GESI	Gender and social inclusion
<b>K</b>	KCRC	Kebele Community Representative Committees
<b>L</b>	LDC	Least Developed Countries
	LIFE-AR	LDC Initiative for Effective Adaptation and Resilience
	LLA	Locally-led adaptation
	LT-LEDS	Long-Term Low Emission Development Strategy in Ethiopia
<b>M</b>	MEL	Monitoring, Learning and Evaluation
<b>N</b>	NAP	National Adaptation Plan
	NCMS	National Carbon Market Strategy in Ethiopia
	NDCs	Nationally Determined Contributions
<b>P</b>	PCCCs	Parish Climate Change Committees in Uganda
	PDCs	Parish Development Committees in Uganda
<b>S</b>	SDG	Sustainable Development Goals
<b>U</b>	UNFCCC	UN Framework Convention on Climate Change

# Executive Summary

## The Challenge: Getting Climate Finance to Those Who Need It Most

The Least Developed Countries (LDC) group recognizes that the climate emergency calls for a historic shift. Evidence shows only a small fraction of global climate finance reaches vulnerable communities in LDCs. In 2019, just 18% of total climate finance reached LDCs, and only 10% made it to the local level. Adaptation finance continued to lag, representing just 14% of total public finance in 2021.

Local communities, institutions, and organizations hardest hit by climate impacts receive a disproportionately small share of adaptation finance, undermining Locally-Led Adaptation (LLA).

The LIFE-AR initiative has set up an ambitious target of at least 70% of climate finance being invested at the local level to support community-prioritized investments by 2030.

However, the key question is how to translate this principle into practice when every country faces different realities, and the funding landscape does not yet adequately support LDC needs.

## Four Countries, Four Pathways: Comparing Approaches to Understanding “Local”

Defining what “local” means has been contextual in LIFE-AR, with each country using different metrics based on context. Burkina Faso focuses on communes (municipalities); 351 autonomous units managing local development. With decades of decentralization experience and a law requiring 85% of funds for investments, translating the 70:30 principle found a conducive legal framework. Uganda defined local as the parish level, the lowest administrative unit bringing together villages. Uganda has strong legal

and regulatory frameworks, but some structures approved by the Climate Change Act had not been established. Through LIFE-AR, Parish Climate Change Committees are being activated to strengthen local planning and resource allocation.

Malawi pushed to Village Development Committees (VDCs) which are clusters of villages representing grassroots structures. While VDCs lead planning, district councils manage funds because districts already have financial systems, audit mechanisms, and track record for donor trust.

This indicates pragmatic compromise between empowerment and existing capacity. Malawi committed slightly more to building systems for the long term, to enable funds to flow to the local level.

Ethiopia positioned “local” at the Woreda (district) level, comprising multiple kebeles (wards).

With strong federal autonomy, legal frameworks, and an already-functioning climate finance facility, Ethiopia focused more funds directly on implementation and less on system-building.

## The Infrastructure Investments vs. Governance Choices

LIFE-AR countries have considered investment choices based on 70:30 allocation differently.

Ethiopia started investments earlier, building on existing systems and assessments, focusing on capital investments ensuring 70% supports community priorities.

While results are immediate and tangible, LIFE-AR strengthens coordination, planning, and governance principles to ensure existing power structures don’t exacerbate inequality and exclusion.

Burkina Faso allocated over 90% of commune-level funds to both hard infrastructure and soft governance investments. Recognizing physical assets need systems to maintain them, they invested simultaneously in community-managed funds and governance structures to oversee them, exceeding the 85% legal requirement.

Uganda focused on hard investments and crucial “soft” readiness work, establishing Parish Climate Change Committees, building climate risk assessment capacity, integrating climate into development planning. The logic emphasizes building strong foundations for stronger systems and capabilities to avoid elite capture and maladaptation.

Malawi initially committed 60/40 after assessments, acknowledging limited local financial management capacity. The Implementation Unit manages funds while building district capacity through performance-based increases, allowing eventual 70:30 achievement with stronger accountability and financial management systems.

## The Not More Than 30% Allocation: How Much Is Enough for Systems Building?

If 70% goes to community investments, the remaining 30% must cover national coordination, monitoring and evaluation, capacity building, communications, gender and social inclusion, and learning. Countries discovered this is contextual, based on existing system strength. LDC government in-kind contributions have been instrumental. Government staff support LIFE-AR as additional responsibility, using governments vehicles, offices, and facilities.

Burkina Faso retained 30% nationally but leveraged existing structures extensively. However, as the initiative expands and investments scale up, needs for technical coordination and cross-cutting issue support will increase, requiring increased funding for the 30% to work.

Uganda planned creative splits: 15-20% to districts for strategic soft investments (respecting subsidiarity of decisions made at appropriate levels), and 10-20% for national operations. This only works if total funding is substantial; with minimal resources, even 30% becomes insufficient for robust systems.

Malawi initially allocated 40% nationally, which is higher than target, explicitly because they were establishing entirely new systems (Implementation Unit, Adaptation and Resilience Fund, district-level account management). This reflects honest assessment that upfront investment in strong governance architecture is needed before achieving 70:30 sustainably.

# Key Take Aways

**1** The 70:30 principle is not a starting point but a destination. More work is needed by LDCs and climate finance providers for this principle to succeed. It is a journey LIFE-AR is testing, learning from, and using lessons to inform climate finance practitioners and providers.

**2** Achieving ‘at least 70%’ by 2030 across LDCs is not just about allocation percentages, but about:

- **Quantity:** Even perfectly efficient systems need adequate total funding to work effectively. 30% of small climate finance amounts cannot sustain key functions.
- **Time:** Countries are at different starting points with different systems and capabilities, thus needing different timelines. One-size-fits-all deadlines risk reverting to business as usual or setting countries up to fail.
- **Trust:** The international community must accept that building trustworthy systems requires upfront investment in those systems. LIFE-AR funders exemplify progressive partners valuing strong governance systems over quick fixes.
- **Flexibility:** Flexibility is needed to allow innovations to work, power dynamics to be navigated, and systems to be strengthened. LIFE-AR values learning from what works and what doesn’t, taking an adaptive management approach to reform systems.

The LIFE-AR Front Runner Countries (FRCs), the first joiners and implementers of the initiative, are not just testing a financial allocation principle, they are also demonstrating whether international climate finance architecture can truly transform from ‘business as usual’ to ‘business-unusual’. Evidence so far suggests it can, but only if there is an acknowledgement of the messy, context-specific, non-linear path required to get there.

# I. BACKGROUND

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The Least Developed Countries (LDC) group recognises that the climate emergency calls for a historic shift in climate change responses. The LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) initiative is an LDC led, and principle-based partnership. LIFE-AR invited development partners to work together with LDCs for a more effective and more ambitious response to the triple crises of climate change, nature degradation and poverty.

The LIFE-AR partnership challenges power dynamics and reflects a shared commitment to align global, national, and local strategies behind the LDC 2050 Vision and principles of: working together on a shared and equal platform; investing behind integrated, holistic, and ambitious climate planning; commitment to a shared goal of at least 70% finance being invested behind community priorities; working at the pace of individual LDCs and leaving no country and no one behind.

The long-term goal is two thronged, (i) to reform ways of working through supporting long term cross-sectoral and multi-level responses to adaptation driven by, and for LDCs; and (ii) to forge collaborations with global climate finance providers in reforming their systems and processes to deliver long term, flexible and accessible climate finance to the LDCs. The impact will be realised through effective support to locally-led adaptation (LLA) investments that build resilience of people, economies, and ecosystems.

## 1. Global Climate Adaptation Finance inadequate for LDCs

Evidence shows that only a small fraction of global climate finance reaches vulnerable communities in LDCs. Despite the urgent need for adaptation to intensifying climate impacts, investment remains insufficient. In 2019, just 18% of total climate finance (covering both mitigation and adaptation) reached LDCs, and only 10% made it to the local level (Soanes, Rai, Steele, Shakya, & MacGregor, 2017). The global landscape of climate finance report noted that adaptation finance continued to lag as it represented just 14% of total public finance (Climate Policy Initiative, 2021).

In addition, 61% of tracked climate finance in 2021

(US\$384 billion) was issued as debt, with only 12% (US\$47 billion) being concessional or low-cost (Climate Policy Initiative, 2023). For LDCs and other climate-vulnerable countries, relying on debt to rebuild infrastructure, provide relief, and restore livelihoods — often without adequate social protection — deepens poverty and vulnerability. Debt repayments divert scarce public resources from development, worsening deficits and trapping countries in a cycle of borrowing (Kajumba, 2024).

Adaptation finance is key in supporting climate action for frontline communities that are worst affected by climate change. However, finance for climate action is not accessible to the LDCs at the speed and scale needed to adapt to climate risks and uncertainty.

Building on the COP26 pledge to double adaptation finance by 2025, the LDC Group is calling for tripling adaptation finance by 2030. The LLA practitioners are also advocating for scaling up adaptation finance

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1. *Austria, Benin, Bhutan, Burkina Faso, Canada, Denmark, Ethiopia, Finland, The Gambia, Germany, Italy, Ireland, Madagascar, Malawi, Nepal, Norway, Senegal, Sweden, the United Kingdom, Uganda and United States of America*

through locally-led approaches, emphasizing the need for flexible, accessible funding mechanisms tailored to LDC contexts.

## 2. Challenges with Climate finance reaching the Local level

The LIFE-AR evidence review noted that nearly two-thirds of adaptation finance programmes focused on national, not local stakeholders, and less than half demonstrated any intention to support local decision making (LDC Group, 2019). While quantity of adaptation finance is not adequate, the question of quality remains a challenge in terms of who accesses the funds and how it supports LLA on the ground. The World-bank acknowledges that achieving global climate goals and ensuring a liveable future relies on the actions of local actors, including local governments, communities, and Indigenous Peoples (WorldBank,2024).

Despite being on the frontline of climate impacts and their potential to bring leadership and expertise to mitigation and adaptation processes, local actors continue to receive limited resources for climate action

Local communities, institutions, and organizations that are hardest hit by climate impacts receive a disproportionately small share of adaptation finance. While they are often the most engaged and innovative in identifying context-specific and sustainable adaptation solutions, only 17% of international public adaptation finance was directed to projects with a specific local focus during the 2017–2021 period. The absence of clear mechanisms, safeguards, and accountability for directing resources to local levels hinders the implementation of LLA (Climate Policy Initiative, 2024).

Despite aiming to meet the needs of disadvantaged socioeconomic groups and those who are most vulnerable to climatic shocks and stresses, adaptation interventions are prone to elite capture and inequitable distribution of resources, a long-standing problem in development whereby powerful people expropriate funds, resulting in interventions that reinforce existing power relations (Ericksen et al, 2021; Zahnnow et al, 2025).

It is noted that the complex ecosystem of climate finance flows continues to evolve rapidly. It demands sophisticated coordination between multilateral institutions, private sector entities, and local stakeholders (ClimateFinanceOrg, 2025). While progress has been made in mobilizing capital for climate action, persistent challenges in equitable distribution require innovative and ‘business unusual’ solutions.



Picture 1 - Grant signing agreement with communities in Malawi

## II. ACHIEVING THE REFORMS THROUGH ‘BUSINESS UNUSUAL’ WAYS OF WORKING

The Least Developed Countries (LDCs) adopted the term ‘Business Unusual’ whilst developing their ‘asks’ and ‘offers’ for achieving the LDC 2050 Vision for a climate-resilient future (LDC Group, 2019). Business unusual is a rallying call for the radical change that LDCs need to access adequate climate finance and invest it in communities at the front lines of climate impacts.

LIFE-AR’s business unusual approach represents a radical shift from current practice. Through LIFE-AR, development partners are demonstrating their belief in LDC leadership and supporting LDC-led approaches to adaptation. Emerging lessons suggest that working in business unusual ways is difficult, but it can help build a more sustainable and effective pipeline for channelling climate adaptation finance to the local level and delivering the change that communities seek.

The much needed reforms require high-level political and technical support, participation of whole of government and whole of society, inclusive decision making, LLA approaches and openness to change mindsets and shift systemic business as usual ways of working.

Business As Usual Climate Action	Business Unusual Climate Action
From considering the SDGs, disasters, biodiversity loss, climate adaptation and climate mitigation as separate challenges...	...to tackling the underlying drivers of vulnerability that communities face.
From external experts quickly developing ‘one size fits all’ climate policies and initiatives ...	...to tackling the underlying drivers of vulnerability that communities face.
From short-term, siloed and sector-specific projects...	... to building more effective delivery mechanisms that support ‘whole of society’, whole of government and long-term programmes (10 yrs.+) that are cross sectoral multiscale and locally-led.
From countries receiving inadequate climate finance that mostly reaches national ministries for national planning processes ...	... to accessing increased climate finance and investing at least 70% behind community priorities’
From expensive interventions with layers of intermediaries, numerous consultants and projects managed by external actors due to concerns around corruption and resource capture by elites ...	... to strengthening the LDC institutions’ climate capabilities, with agreed operating rules, highly transparent budgets and investment decisions, and accountability mechanisms that engage citizens and civil society in holding these institutions to account.

Box 1 - From ‘Business as Usual’ to ‘Business Unusual’

LIFE-AR is one of the three LDC long term initiatives that contribute to delivering the LDC 2050 Vision. Led by LDCs, it currently being implemented in 10 countries with unique ecosystems geographically spread across East Africa, Southern Africa, West Africa and Southeast Asia. These countries therefore represent a diverse range of landscapes including highlands, lowlands, drylands, coastal regions and glacier peaked mountainous landscapes. Six of them referred to as Front Runner Countries (FRCs) have concluded an initial set up and planning phase or ‘Establishment phase’ in which they prepared their delivery mechanisms to strengthening existing national and sub-national governance structures, systems and processes.

The primary aim of the delivery mechanisms is strengthening collaboration, building capabilities, inclusive governance centred on gender transformation, integrating adaptation planning into national and local systems, as well as exploring processes to get finance to the local level.

After this first phase, LIFE-AR FRCs moved to ‘Test and Evolve’, or the investment phase, and are now piloting the effectiveness of the delivery mechanisms with a particular focus on channelling at least 70% finance to support community prioritised investments. A third ‘Scale-up’ phase will enable the delivery mechanisms to be scaled out to other local governments. At this stage, countries should be ready to start seeking additional funding from the broader climate finance providers - such as multilateral funds, private sector and domestic finance.

The Second Cohort of four countries signed the partnership compact at COP28 in Dubai and are in the process of initiating the Establishment phase.

# 1. Commitment to invest at least 70% behind community investments

Learning is a pillar of LIFE-AR and the initiative drew lessons from other programmes as part of the global evidence review. The rationale for setting 70% as a minimum target comes from Devolved Climate Finance (DCF) mechanisms in Kenya, Tanzania, Mali and Senegal (DCF Alliance, 2019), which channelled 70% of climate finance to the lowest levels of local government to fund investments in climate adaptation prioritised by local communities. Similar experiences exist in Nepal where lived experience have now been enshrined to law mandating that 80% of climate finance should be allocated to the local level (MOFE, 2021). These initiatives demonstrated how putting resources behind local priorities, knowledge and adaptive strategies successfully delivers climate resilience.

This thematic paper explores emerging lessons from the FRCs on how they are implementing the 70:30 principles, the successes, challenges and lessons.

The thematic paper captures learnings on how each of the four countries interpreted the 70:30 principle and how it relates to specific contexts. The aim is to highlight progress as the evidence emerges and especially as countries move to the investment phase.

*2. The current frontrunner countries are Bhutan, Burkina Faso, Ethiopia, The Gambia, Uganda and Malawi,*

*3. The new joiners include Senegal, Madagascar, Benin and Nepal.*

**Under LIFE-AR, the LDC group committed to develop strong climate finance architecture, with at least 70% of flows supporting local-level action by 2030. This would be achieved through LDCs delivering on the following:**

- Strengthening the financing architecture and systems from national to local level with strong delivery mechanisms that put resources into local hands for local adaptation priorities to ensure the effective and efficient management and implementation of public resources.
- Prioritising national institutions for accreditation and ensure they are matched appropriately to the national designated authority and national implementing entity roles.
- Delivering predictable and flexible climate finance to local level, with strong transparency, accountability and measurement, reporting and verification systems to track it.
- Supporting these delivery mechanisms with diverse sources of international, national, private and public finance, leveraging existing funds such as tax revenue, ‘polluter pays’ regulations, household savings and domestic development budgets, and returning locally collected finance for local investment.
- Recognising the value of ecosystem services including natural capital accounting and payments for ecosystem services as a source of domestic finance.

**To achieve the above ‘offer’, the LDC Group asked the international community to provide high-quality, predictable and accessible finance to help them deliver the SDGs and Paris Agreement, and to support the LDCs’ intention of at least 70% financial flows supporting local-level action by 2030. The ‘asks’ are defined as below:**

- As well as meeting the 0.7% aid target and ensuring all overseas development aid is Paris-compatible. Commit new and additional climate finance that meets the agreed 50:50 adaptation-mitigation balance, with at least 50% of total flows supporting the world’s most vulnerable countries and communities.
- 70% of all the climate finance received is committed with the principal purpose of supporting local climate action.
- Deliver flexible, longer-term support that will allow us to build holistic, cross-sectoral institutional mechanisms that deliver finance over a minimum of ten years for greater impact.
- Lengthen programmatic design phases to effectively involve government, communities and other key actors from the beginning to build a shared vision, principles, rules and decision-making criteria, and improve targeting and evidence to identify and support the most vulnerable.
- Agree to the principles of subsidiarity, radical transparency in aid flows and inclusive governance of decisions around investment, allowing us to determine how to spend funds at national and local levels.

*Box 2 – LDCs Offers and Asks of international community on climate finance*

## 2. Understanding the 70:30 target

LIFE-AR has taken time to review and understand how to apply 70:30 as well as how it operates and in what context. Below are the questions that have been explored.

### A. What counts as local?

Identifying ‘the local community’ can have several meanings. It could mean various sub-national organisations, community-level institutions, households or even individuals. Local institutions could be private, public, or civil society based.

‘Local’ under LLA guidance has been defined as an umbrella term to capture local communities and the organisations, institutions and local government units that represent or work directly with communities pursuing LLA, who are often best placed to determine the most appropriate responses for their situation and needs.

It also notes that adaptation initiatives are locally-led when local people design, implement and monitor them, not when funds are allocated by national/regional/global institutions and local communities are mere beneficiaries and not agents of change (Pichon et al, 2025).

LIFE-AR’s FRCs are working to ensure that delivery mechanisms – encompassing governance structures, processes and systems – are inclusive when prioritising climate action (including voices that are often marginalised or unheard, for example youth, women, the elderly, people with disabilities and Indigenous groups), and that processes are transparent and accountable to the community.

Achieving this requires investments in governance arrangements and monitoring of how excluded groups can genuinely be engaged. Investing in inclusion of local institutions and accountability is vital if adaptation priorities are to genuinely reflect local needs and uphold the ‘at least 70%’ principle in the long term.

### B. What the ‘at least 70%’ might cover

LIFE-AR has been assessing what would count at least 70% investment behind community prioritised investments. These could be physical infrastructure or non-physical investments. Infrastructure could include boreholes where water access is affected by seasonal variation; small-scale irrigation schemes; or local soil and water conservation measures in tandem with higher-level flood control measures or catchment restoration.

Non-physical investments are likely to be in governance systems that support the investments. They might include establishing community-identified regulations for sustainably and peacefully managing rangelands and water points. They might confirm local government by-laws that legalise community-driven governance and management arrangements. They could cover the costs of dialogues on community-managed peace and security, or the costs of meeting vulnerable groups’ needs for tailored climate information.

The definition of what the 70% covers – whether its ‘hard’ infrastructure investments or ‘soft’ capability strengthening investments and how resources are allocated towards each of these remains at the discretion of implementing countries. These decisions are guided by the principles which each of LIFE-AR countries signed up to, contextualising them to the national and local contexts to meet the unique needs.

### C. What the ‘at most 30%’ might cover

There is much to do with the remaining up to 30% of LIFE-AR funds, which must cover the set-up and running costs. At the national levels, these range from coordination and administrative costs (running the national platform coordination needs); capacity building, strategic oversight, planning, monitoring, evaluation and learning and reporting as well as strategic communications for enhanced visibility.

This could also cascade to community-level administration costs (strengthening delivery mechanisms, training on climate change, ensuring gender and social inclusion; and potentially initial one-off costs of new systems, equipment or structures).

As a learning initiative, countries could also allocate resources to support the establishment of peer learning and fostering an LDC community of practice – a low-cost platform that supports self-initiated learning in the long term. Ensuring that a maximum of 30% of LIFE-AR's overall funding is sufficient is hugely challenging and depends on the volume of funding, but it's an opportunity to embed the paradigm shift LDCs are calling for and to demonstrate effective climate action that inspires others across the climate and development sectors.

Making a maximum of 30% 'enough' depends on both the funds' scale and efficiency.

The LIFE-AR principles required building on existing structures and systems to avoid duplication, maximise resources and improve coordination. For example, LIFE-AR events can be held on side-lines of existing climate events, or online.

Aligning and streamlining donor requirements can reduce transaction costs for FRCs and the Secretariat alike. And at country level, existing, rather than new, institutions and resources can be deployed wherever possible, including staff, vehicles, facilities, studies, channels for funds and technical support.

## D. Why the 70:30 target matters

Channelling at least 70% of climate finance to the local level by 2030 is part of the LIFE-AR asks and offers and guided by the LIFE-AR principles. Its implementation and alignment to national and local context remains a responsibility of the LIFE-AR countries. So how are countries interpreting this principle and what is the state of play in the global landscape?

Locally-led adaptation (LLA) principles (principle 1) emphasize the importance of ensuring direct access and decision-making power to local institutions and communities. These communities are often the most affected by climate change and are living on the frontlines of climate-induced disasters. These communities possess deep contextual knowledge and are best positioned to design and implement effective adaptation strategies. However, they often lack access to the financial resources and decision-making authority needed to respond adequately.

In recent years, multilateral climate finance institutions have begun to reassess their approaches, exploring new strategies and decision-making frameworks to better support LLA efforts. Despite this shift in thinking, many multilateral and bilateral financiers are yet to articulate a clear measurable goals and institutional targets for what constitutes fair and equitable financing for local communities. For instance, the World Bank through its Operational approach to Locally-Led Climate Action has not defined targets for how much financing should be directed to the local level (The World Bank Group, 2024).



Picture 2 - LIFE-AR consultations in Rusenke, Uganda

# III. KEY FACTORS THAT SHAPED CONSIDERATIONS FOR 70:30 FUND ALLOCATION

Building on the Establishment phase and the first year of investment-focused activities, LIFE-AR has gained valuable insights from four participating countries that have progressed to the stage of investment selection and prioritization. The learning has been characterised under four areas:

- 1 Institutional readiness and governance structures across national, sub-national, and local levels
- 2 Community engagement and participatory planning processes that ensure local voices are heard.
- 3 Transparency and accountability mechanisms, including robust monitoring and reporting systems.
- 4 Context-specific definitions of investment, distinguishing between “soft” investments (e.g., capacity building) and “hard” investments (e.g., infrastructure).

The following sections explore these lessons in detail, illustrated with concrete examples from the leading FRCs.

## 1. Institutional capabilities and governance structures

The effectiveness of governance structures at all levels - and their ability to provide leadership and technical support to lower local governments is critical for building long-term climate resilience. This is arguably the most important factor in enabling LDCs to pursue a climate-resilient development pathway and realize the LDC Vision 2050.

This aligns closely with the LLA principles, particularly the emphasis on investing in local capacities and leaving a lasting institutional legacy. However, such investments must be grounded in strong policy frameworks and supported by national institutions that provide strategic direction.

The strength of these governance systems and capabilities directly influence how countries interpret and implement the 70:30 principle, determining the extent of resource allocation to the local level.

# Burkina Faso Case Study

- Strong track record of implementing decentralisation through devolved governance structures:** Burkina Faso has a strong track record of bringing services closer to the population through devolved government structures. Devolved governments were established by the decentralisation law (2004) which established the legal basis for transferring power from the central government to the local government. The country is divided into 17 regions, 47 provinces and 351 communes (municipalities) that have non legislative autonomy to manage local development including education and health among other things.
- National government support to local planning process:** Each Commune is required by law to develop 5-year development plans – feeding to the regional development plans, that informs future governance and decision making on development prioritisation. Guidelines are developed by the Ministry of Economy and Finance, responsible for planning, and updated every 5 years for process improvement. Clear funding allocation targets at local level: To ensure that funds prioritise local development by the local government, Burkina Faso has put in place a law (Decree No.2021-1383/PRES/PM/MEFP) that requires 85% of resources to be allocated for investments. Definition for ‘investments’ point towards implementation on the ground or ‘hard’ investments and exclude capacity building.
- Institutional support for capacity strengthening:** To address gaps in technical capacity, financial management, and service delivery, the central government established the Agence Nationale d’Appui au Développement des Collectivités Territoriales (ADCT) in 2020. Formerly known as the Fonds Permanent pour le Développement des Collectivités Territoriales (FPDCT), the agency’s mandate has expanded beyond grant-making to include technical assistance and support for innovative financing. One notable innovation is the creation of special community-managed funds, accessible only by communes and allocated according to local priorities. In practice, during the implementation of ADCT activities, more than 90% of the funds allocated to municipalities are designated for investment purposes, surpassing the requirements set by law.

*Box 3 - Operationalising the 70:30 principle in Burkina Faso; Entry points*

The case study from Burkina Faso illustrates how existing governance structures shaped local-level funding decisions.

## Interpretation of the LIFE-AR principle in Burkina Faso and fund allocation process:

**Empowering the Lowest Governance Level:** Burkina Faso interpreted ‘local’ as referring to communes or municipalities, the lowest tier of planning governance. This decision ensured that community-level priorities were directly addressed and empowered.

**Direct Funding to Local Authorities:** During the Test and Evolve phase, 70% of the total funds are allocated directly to communes. This enables them to implement community-prioritized investments effectively and responsively.

**Balanced Investment in Infrastructure and Governance:** Of the funds allocated to communes as part of LIFE-AR implementation, over 90% support both hard investments (e.g., infrastructure) and soft investments (e.g., strengthening local governance). This dual focus helps build both physical assets and institutional capacity.

**Strategic National-Level Support:** 30% of the funds are retained at the national level to support among other things, coordination and oversight by the task team, monitoring and evaluation, strategic communications and stakeholder engagement.

## 2. Community Engagement and Participatory Planning Processes

Participatory planning processes starting from the local level play a central role in addressing climate risks now and anticipating future risks. This approach aligns with various LLA principles including devolving decision making to the most appropriate level, building a robust understanding of climate risk and uncertainty and in addressing the

structural inequalities faced by women, youth and other marginalised groups.

By embedding community voices and valuing local knowledge and expertise, participatory planning offers a pathway to systematically dismantle barriers to inclusion and ensure that community priorities are reflected in adaptation strategies. When local-level planning is effectively linked to sub-national and national medium- and long-term planning frameworks, it enables real-time whole of government coordination both horizontally across sectors and vertically across levels of government. This integrated approach enhances policy coherence and ensures that planning and budgeting are informed by evidence.

### Uganda Case Study

- Existence of a clear legal framework for implementing devolved governance:** Uganda's local government system is underpinned by the constitution of the Republic of Uganda (1995) and the Local Government Act (1997). The act provides for the decentralisation and devolution of functions, powers, and services to ensure good governance and democratic participation in, and control of, decision-making by the people. It provides for the administrative structures of local government from the district to the sub-county, parish, and village. It also provides for revenue collection and accountability by local governments. Financial flows are governed by the Public Finance Management Act (2015). These frameworks provide an entry point to strengthen fiscal decentralisation and get 70% of climate finance to the local level.
- Well-functioning sub-national governance structures:** By law, districts are responsible for planning, budgeting, and reporting on their annual spending. Full control over utilisation of funds is devolved to district leadership, which has helped Uganda establish a strong record in local development planning and financial management. A key example of this is the Discretionary Development Equalisation Grant (DDEG) also known as the District Development Fund. This is a specialised funding mechanism capitalised by the national government and aimed at addressing infrastructure and service delivery gaps at the district level. It also plays a critical role in promoting the equitable distribution of financial resources across districts
- Innovating to strengthen local governance, participatory planning and community engagement:** Uganda has chosen to pilot the Devolved Climate Finance (DCF) mechanism, a model that has proven effective in other contexts and is well aligned with the country's decentralised governance framework. The DCF model is designed to utilize the government structures provided for within the Uganda Decentralization Policy and the Climate Change Act (2021). Although the Act provided for the creation of lower-level government structures, they had not been operationalized prior to LIFE-AR. Through the DCF mechanism, LIFE-AR is now providing the technical and financial support needed to activate these committees. The initiative also fosters coordination with Parish

Development Committees (PDCs), which are responsible for overseeing broader development activities at the parish level. Together, these local governance structures are instrumental in delivering the Parish Development Model - Uganda's flagship strategy to transition households from subsistence farming to a market-based economy, with the parish serving as the core unit for planning and service delivery.

- **Integrated Governance structure at Sub National and Local levels:** Uganda places Parish Climate Change Committees (PCCCs) at the centre of local climate planning and governance, ensuring close engagement with communities. The oversight of fund management and implementation is anchored at the district council level which already has established systems and processes for receiving and managing funds from the central government. District councils in Uganda are equipped with performance indicators, reporting frameworks, and accountability mechanisms that are aligned with national government requirements. These existing structures will be leveraged to ensure effective oversight, transparency, and alignment with broader development and climate goals.

- **Establish a special purpose fund to address climate risks:** One of the key challenges identified with Uganda's District Development Fund is the unpredictability of annual budget allocations from the national government. While the total approved budgets are known in advance, the final amounts disbursed are often unpredictable. Moreover, disbursements are often made late in the fiscal year, which disrupts timely and policy-compliant spending. To address this disconnect between development planning and financing, Uganda under LIFE-AR is introducing the Climate Resilience Fund (CRF) - one of four components of its delivery mechanism.

The CRF is designed to align with LIFE-AR principle of 70:30, allocating a fixed percentage of climate funds specifically for community-planned investments at the parish level. By providing the PCCCs with advance knowledge of their budgets over the three-year Test and Evolve period, the CRF aims to improve planning, foster local ownership, and strengthen accountability. Communities will be empowered to sequence and prioritize investments based on known budgets, guided by strategic and technical criteria to ensure appropriate and impactful fund allocation.

*Box 4 - Operationalising the 70:30 principle in Uganda; Entry points*

The case study from Uganda illustrates how the national context and priorities with respect to community engagement and participatory planning are influencing how the 70:30 principle is interpreted and brought to life.

### Interpretation of the LIFE-AR principle in Uganda and fund allocation process:

**Identifying the relevant administrative unit:** For LIFE-AR in Uganda, 'local' is interpreted to mean parish level that brings together several villages. Through a participatory process, Uganda identified the Parish as the lowest administrative unit in the devolved structure and

the PCCCs as the most appropriate planning governance structure. The role played by sub-national governance structures in bringing services closer to the community was also recognised and therefore coordination with them features strongly.

The design of the planning and decision-making process focussed on leveraging synergies between the existing governance structures such as the Parish Development Committee (responsible for development) and the newly operationalised PCCCs (responsible for climate action) to ensure that development planning takes a holistic approach integrating climate risks.

The governance structures are then linked up and receive technical support by immediate governance structure in the hierarchy all the way to the national government.

**Achieving 70% allocation for local authorities:** In accordance with the principle of subsidiarity in decision making, Uganda envisions to allocate 70% of climate funds to support community prioritised investments up to the parish level.

Investments therefore include both the ‘hard’ investments prioritised and selected by communities and ‘soft’ investments that include the crucial readiness work such as set up of governance structures at the local level, capacity strengthening in climate and Communities Risks and Vulnerabilities Assessments (CRVAs) that lay the groundwork for efficient implementation and oversight.

**Flexible allocation of remaining 30% to respond to needs:** The intention is for 15-20% to be allocated to districts for interventions that strengthen the enabling environment for climate-resilient development.

These funds will allow higher local governments to make strategic investments that benefit multiple parishes, in accordance with the principle of appropriate subsidiarity. The remaining 10-20% will be set aside as an operational fund to support coordination and oversight by the national team, monitoring and evaluation and learning among other things.

### 3. Transparency And Accountability Mechanisms Including Monitoring And Reporting

One of the barriers limiting direct access to funding for LDCs is the limited capacity of local governments to manage financial resources transparently and remain accountable to both communities and funders.

While this challenge can also arise at national and sub-national levels, it is often most pronounced at the local level. Many national governments are taking steps to address this by establishing guidelines, financial systems, and audit mechanisms that strengthen fiduciary oversight across ministries, departments, and agencies.

These efforts are paving the way for increased direct access to funding through existing national institutions. This shift supports the broader goal of reducing reliance on costly intermediary fund managers and channelling more resources directly to implementation on the ground.

To ensure that funding reaches sub-national and local levels and advance the 70:30 target, deliberate strategies are needed to enhance transparency and accountability.



Picture 3 - Inspection of the planned fish pond site in Salima, Malawi

# Malawi Case Study

- Robust legal framework for implementing devolved governance structures:** Malawi's Local Government Planning system functions within Malawi's devolved governance framework, as established by the Constitution and supported by the Local Government Act (1998), Decentralisation Policy (1998), and the Public Finance Management Act (2003, amended in 2022).
  - Clearly defined sub national and local governance structures:** As a unitary state, Malawi operates a single tier of sub-national government comprising 28 district councils and 7 City or Municipal Councils. Each district council features two leadership components: elected political representatives and centrally appointed administrative officers. District councils are tasked with driving infrastructure and economic development through the formulation, approval, and implementation of District Development Plans (DDPs). The legal framework also emphasizes participatory governance by recognizing community-level institutions such as Area Development Committees (ADCs) and Village Development Committees (VDCs), which facilitate consultative decision-making and local engagement.
  - Well defined operational guidelines from the national government:** Each district is required by law to develop 5-year development plans that ultimately contribute to national long term development objectives. To tackle climate-related and cross-cutting issues such as nutrition, gender equality, and environmental degradation, the Ministry of Local Government developed comprehensive guidelines for integrating these priorities into local development plans.
- Updated in 2022, the guidelines position local governments as key drivers of climate-resilient development. They align with the National Climate Change Policy (2015) and its implementation strategy, which emphasize mainstreaming climate change as both a central objective and a guiding principle.
- Building capabilities for direct access by local authorities:** While VDCs serve as the lowest-level planning structures, financial management responsibilities are assigned to district councils, the sub-national entities that already operate established systems for receiving funds from the central government. However, district councils have limited autonomy over the District Development Fund, and national budget allocations are often unpredictable. To address these constraints, a key design innovation was the conceptualization of the Adaptation and Resilience Fund, to be overseen by district councils. Recognizing that establishing a fully compliant legal fund would be time-consuming, Malawi has opted for a phased approach. Initially, a district-level account will be created and managed under existing frameworks aligned with the Public Finance Management Act. Over time, by demonstrating strong financial stewardship, this approach aims to lay the foundation for a fully autonomous climate fund at the district level. Ultimately this will empower elected district councils with full decision-making authority over climate finance.
  - An Implementation Unit as a pathway to building efficient fiduciary management:** To transition from relying on expensive intermediaries, Malawi conceptualised the creation of the Implementation Unit – an independent quasi government institution

with oversight from the host ministry. The Implementation Unit key role is to manage LIFE-AR during Test and Evolve phase and strengthen the capabilities of district councils in financial management. Starting with small disbursements that increase year-on based on meeting pre-define performance standards, the premise is that district councils would build their capacity in managing climate funds directly. If successful, the national government would

also build the confidence to manage existing development funds directly and increasing the opportunities for creating synergies between the two funds for optimal impact. Simultaneously, the Implementation Unit would build a track record of fund management and capacity strengthening and contribute to the ambition of morphing into a national climate fund with direct access to national and global climate funds.

*Box 5 - Operationalising the 70:30 principle in Malawi; Entry points*

The case study from Malawi illustrates how these principles are being applied in practice and what they mean for fund allocation.

### Interpretation of the LIFE-AR principle in Malawi and fund allocation process:

**Empowering the lowest level of governance:**

VDCs are the lowest governance planning structure recognised by law. To ensure that decision-making is truly community-led and responsive to grassroots needs, Malawi has adopted VDCs as its operational definition of 'local'. By focusing on targeted capacity building from the local level (VDC) up to sub-national level (district councils), the initiative aims to establish integrated planning and decision-making processes across all levels. This approach lays a strong foundation for effective oversight at both sub-national and local levels. These governance structures are designed to promote transparency and accountability through participatory planning, oversight, and reporting mechanisms that engage communities at every stage of the process.

**Deliberate allocation for both sub national and local authorities:**

To address identified capacity-building needs, Malawi committed to allocating up to 60% of total funds to the district level during the Test and Evolve phase. Of this, 10% is retained by district councils to oversee and manage implementation activities and the remaining 50% is specifically earmarked for community-prioritized investments, ensuring that local needs directly inform spending decisions.

**Strategic national-level support:** The remaining 40% of the funds were retained at the national level to establish systems and to support coordination and oversight by the task team, monitoring and evaluation, strategic communications to enhance visibility and stakeholder engagement.

## 4. Context Specific Definition For Investments

The definition of what constitutes an 'investment' is highly contextual and plays a critical role in shaping fund allocations. In many developing countries, communities already have functioning governance structures that have been overlooked by development actors.

These structures often have mapped local needs and developed plans aligned with national priorities yet lack the funding to implement them. Communities expect tangible investments, not repeated assessments that lead to fatigue and erode trust, especially when previous consultations promised action that never materialized.

When this context is supported by strong institutional arrangements and robust fiduciary systems across government, it creates a solid foundation for prioritizing direct, impactful investments.

# Ethiopia Case Study

- Federal system with complete regional autonomy:** Ethiopia operates under a multi-tiered ethnic federal system established by the 1995 Constitution. The country is divided into 12 regional states and 2 chartered cities, each with its own constitution, governance institutions, and administrative structures. Each regional state has a regional council (state parliament) responsible for legislation and budgetary oversight. Below the regional level, Woredas serve as the main local government units, overseeing service delivery and administration of several Kebeles, which are the smallest administrative units.
- Legal framework supporting devolved government responsibilities:** The constitution of the Federal Democratic Republic of Ethiopia (1995) granted fiscal and administrative powers to regions. This devolution was further extended in 2001/2002, empowering Woredas with the responsibility to plan and budget for their own development. Kebeles serve as the grassroots administrative units, often responsible for implementing the Woreda plans. The Constitution guarantees the public's right to full consultation, participation, and expression of views in the planning and implementation of development initiatives that affect them.
- Established track record implementing devolved governance:** The country builds on nearly three decades of experience with a well-defined devolved governance system. Roles and responsibilities across government levels are clearly articulated. Recent reforms have further enhanced coordination on climate action, both horizontally across sectors and vertically between national and sub-national levels. This strong foundation creates an opportunity to empower local structures, such as Woredas, to strengthen development planning and deepen community participation and ownership.
- Centralised platform for coordinated national implementation:** Ethiopia's medium-to long-term development vision is articulated through the Climate Resilient Green Economy (CRGE) strategy, which is integrated into the broader Ten-Year Perspective Plans. To coordinate implementation, the Ministry of Planning and Development serves as a national coordination entity and Ethiopia's official interface with the UN Framework Convention on Climate Change (UNFCCC), overseeing compliance with international obligations including the Enhanced Transparency Framework.

It leads the development and implementation of the Nationally Determined Contributions (NDCs), the Long-Term Low Emission Development Strategy (LT-LEDS), National Adaptation Plan (NAP), and the National Carbon Market Strategy (NCMS). Through its Environment and Climate Change Main Division, the Ministry of Development and Planning facilitates cross-sectoral alignment among ministries and sub-national entities at the national level. The CRGE Facility was established as the central financing institution. This structure also ensures vertical coordination with sub-national governments, enabling coherent climate action across all levels.

- **Leveraging existing structures to deliver climate action:** Although regional states and Woredas in Ethiopia have full autonomy to govern and deliver services, capacity limitations hinder the alignment and implementation of actions with national climate goals. The CRGE platform as the delivery mechanism is designed to address these gaps by enhancing the capabilities of local governance structures at the Woreda level to plan and execute climate-resilient initiatives.

Embedded within the existing national and regional frameworks for climate coordination, the LIFE-AR delivery mechanism focuses on aligning local development planning with national climate ambitions. In addition to fostering long-term, climate-smart, and resilient planning, the mechanism introduces features to

strengthen community participation, promote social inclusion, and support bottom-up decision-making at the local level

- **Capitalising on the existing national climate fund:** In Ethiopia, all climate finance is channelled through the CRGE Facility, housed within the Ministry of Finance. The CRGE is already accredited by major multilateral climate funds, including the Green Climate Fund and the Adaptation Fund, enabling it to directly receive and manage climate finance for the country. In line with the LIFE-AR principles particularly the emphasis on working through existing institutions to build capacity and avoid parallel systems Ethiopia selected the CRGE Facility as the financial mechanism for managing LIFE-AR funds. The initiative will follow the CRGE's established policies and guidelines to ensure transparency, accountability, and effective reporting.

#### *Box 6 - Operationalising the 70:30 principle in Ethiopia; Entry points*

The case study from Ethiopia illustrates how the 70:30 principle is being applied in practice, its implications for fund allocation, and how it supports the country's core development and climate resilience objectives.

### **I**nterpretation of the LIFE-AR principle in Ethiopia and fund allocation process:

**Strengthening participatory planning institutions at the local level:** The lowest planning unit in Ethiopia is the Woreda. To improve participatory planning at the local level, LIFE-AR in Ethiopia set up the Woreda Steering Committee and Woreda level task team to provide leadership and day to day operational backbone to implementation.

The Kebele Community Representative Committees (KCRC) were also created through LIFE-AR and ensures that decision making reflects the community needs.

These whole of society institutions are inclusive and draw upon expertise from the local government and the community.

They lay a foundation for climate action governance at the local level with vertical interlinkage to the national governance structure.

**Achieving 70% allocation for local authorities:** Since the Establishment phase, Ethiopia allocated 70% of all investments to support investments behind community priorities at the Woreda and Kebele levels.

This allocation continues during the investment phase. The rationale behind this decision is that Ethiopia already had a strong institutional arrangement that allows climate action planning across central, federal states and local level.

Furthermore, investments would focus on 'hard' investments that support the existing local development plans and in turn aligned to national climate resilient development strategy.

**Flexible allocation of remaining 30% to respond to needs:** The design is for the remaining allocation to be used for capacity strengthening and coordination with allocation done on a yearly basis to respond to needs and to embed learning. About half

of the split is intended for capacity strengthening at the local level while the remaining amounts support coordination, monitoring evaluation and learning, communications as well as reviews.



*Picture 4 - Solar panel installation in Kembebet Woreda, Ethiopia*

# IV. SUMMARY OF THE KEY LESSONS LEARNED

This thematic paper provides insights from LIFE-AR Establishment phase where most of the investments focused on building governance systems including national platforms. Below are the early emerging learnings.

## **Context Matters - No One-Size-Fits-All Approach.**

Countries interpreted and implemented the 70:30 principle differently based on their unique governance structures, institutional capabilities, and local contexts. What counts as 'local' varies from communes (Burkina Faso) to parishes (Uganda) to villages (Malawi) to Woredas (Ethiopia).

## **Strong Existing Governance Structures Are Essential.**

Countries with established decentralized governance frameworks, clear legal mandates, and functioning local institutions are better positioned to channel funds to the local level. Building on existing structures rather than creating parallel systems proved more sustainable and cost-effective.

## **Defining 'Investment' Is Critical.**

The split between 'hard' investments (infrastructure) and 'soft' investments (capacity building, governance strengthening) significantly impacts fund allocation. Countries with stronger institutional capacity could focus more on hard investments and possibly go beyond the 70% target, while others needed to invest more upfront in soft capacity-building measures for stronger systems and institutions.

## **Participatory Planning Drives Ownership.**

Community engagement through inclusive planning processes at the lowest governance levels ensures that investments reflect genuine local priorities and builds accountability. However, this requires investment in establishing or strengthening participatory structures including sub national governments.

## **Balancing Local Empowerment with Institutional Oversight.**

While funds need to reach communities, many countries retained management responsibility at sub-national levels (districts) that already had established fiduciary systems, performance frameworks, and accountability mechanisms. This balance between local decision-making and institutional oversight is crucial for transparency and effectiveness.

## **The 30% Must Be Strategic and Sufficient.**

Making the 'at most 30%' work requires efficiency, coordination, leveraging existing resources, and minimizing duplication. Countries found success by aligning LIFE-AR activities with existing government processes, holding joint meetings, using existing staff, resources like vehicles, and building on established systems rather than creating new ones. Its success will also depend on the quantity of finance received to enable support of critical functions like capacity building, monitoring, learning and evaluation (MEL) and gender and social inclusion (GESI).

## **Time and Flexibility Are Needed.**

Achieving the 70:30 target requires time to build capacity, establish systems, and demonstrate track records. Phased approaches that start with smaller allocations and scale up based on performance allow for learning and adjustment while building confidence and capability. This will continue to be nuanced and tested.

## **Transparency and Accountability Systems Enable Direct Access.**

Robust monitoring, reporting, and accountability mechanisms are essential for building trust and enabling direct access to finance by local governments. These systems must be embedded from the start, not added as afterthoughts.

## V. LOOKING AHEAD

Achieving the LDC vision 2050 will require long term programmatic approaches, recognising that it takes time to build the finance, structures and systems needed to ensure ‘at least 70%’ of finance flows reach community level to build resilience.

LIFE-AR overall aim to achieve ‘at least 70%’ depends on several factors. There will always be a trade-off between doing more in a few countries versus doing less in more countries (and leaving no LDC behind – another key LDC principle).

The level of future funding, how well donors can harmonise and reduce transaction costs, how efficiently delivery mechanisms work and can be scaled, and whether and when new countries join will also all play

a part. One of the biggest factors will be who effectively embraces and implements the business unusual transformation.

LIFE-AR urges donors and LDC governments to recognise the ‘proof of concept’ FRCs are providing and commit to deliver on the LDC asks to support LDCs achieve the long-term ambition of accessing increased climate finance and investing it behind community priorities.

With six FRCs now in their investment phase testing the delivery mechanisms, effort will be committed to documenting lessons and refining approaches where needed. This will also include influencing development partners to support achievement of the 70:30 principle.



Picture 5 - Borehole built with LIFE-AR investments in Galvare, Burkina Faso

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

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