



PROJECT PROFILE FORM

[Please keep responses brief and limit each to 200 words]

NAB Project No [completed by NAB]
GIP code/Project No [obtain from DSPPAC]
Cost Centre/Activity No [obtain from Dept.]
Donor/DSPPAC file No [obtain from DSPPAC]

1. Project title: Performance-Based Climate Resilience Financing Mechanism in Vanuatu - LoCAL	
2. Approval sought: <input checked="" type="checkbox"/> Identification* <input checked="" type="checkbox"/> Concept <input checked="" type="checkbox"/> Funding Proposal *For identification of project, use first page only <input type="checkbox"/> Continuation of existing project	
3. Funding envelope: GCF	
Total funding (Vatu and USD): VUV 687,289,750 USD 6,204,432	4. Access modality: <i>Funding from Green Climate fund through SPC</i>
5. Implementing entity/organisation: Ministry of Climate Change (AE is SPC, through UNCDF)	6. Executing entity/lead government agency: Ministry of Internal Affairs / DLA
7. Other government / partner agencies: Ministry of Finance and Economic Management, Provincial Councils and Area councils United Nations Capital Development Fund	8. Project contact details:
9. Location: Vanuatu – selected provincial councils and the area councils below these	10. Duration: 2022- 2027
11. Theme(s): <input type="checkbox"/> Mitigation <input checked="" type="checkbox"/> Adaptation <input type="checkbox"/> Cross cutting <input type="checkbox"/> DRR / DRM	12. Climate/DRR relevancy (% of budget) <input checked="" type="checkbox"/> High (≥80%) <input type="checkbox"/> Medium (≥50%) <input type="checkbox"/> Low (≥25%) <input type="checkbox"/> Marginal (≥5%)
13. Sector(s) by ministry: <input checked="" type="checkbox"/> Agriculture, livestock, forestry, fisheries and biosecurity <input checked="" type="checkbox"/> Lands and natural resources (geology, mines, water) <input checked="" type="checkbox"/> Climate change adaptation, meteorology, geo-hazards, environment, energy and disaster management <input checked="" type="checkbox"/> Education and training <input type="checkbox"/> Finance and economic management <input type="checkbox"/> Foreign affairs, international cooperation and external trade <input checked="" type="checkbox"/> Health <input checked="" type="checkbox"/> Infrastructure and public utilities <input checked="" type="checkbox"/> Internal affairs (custom and culture, labour and employment services) <input type="checkbox"/> Justice and community services <input type="checkbox"/> Trade, tourism, industry and commerce	14. Scope:(part of a regional program with Tuvalu, Solomon Islands, and Fiji) <input checked="" type="checkbox"/> Regional <input checked="" type="checkbox"/> National <input checked="" type="checkbox"/> Provincial <input checked="" type="checkbox"/> Community 15. Number of people impacted/affected: <input type="checkbox"/> Direct: Estimated 20 % of the citizens in Vanuatu <input type="checkbox"/> Indirect: All citizens in Vanuatu <input type="checkbox"/> Women <input type="checkbox"/> Youth (<30 years)
	16. Project Type: <input checked="" type="checkbox"/> Capacity building <input type="checkbox"/> Community awareness <input type="checkbox"/> Disaster response <input checked="" type="checkbox"/> Field implementation <input type="checkbox"/> Formal education program <input checked="" type="checkbox"/> Funding - small grants <input type="checkbox"/> Informal training courses <input type="checkbox"/> Knowledge communication <input type="checkbox"/> Pilot / trial / demonstration Project <input checked="" type="checkbox"/> Planning and governance

<input type="checkbox"/> Youth and sports development	<input type="checkbox"/> Policy formulation and integration
	<input type="checkbox"/> Policy support
	<input type="checkbox"/> Research (feasibility study etc.)
	<input type="checkbox"/> Other

STOP HERE IF PROJECT ONLY AT IDENTIFICATION STAGE

CONTINUE FROM HERE ONLY IF PROJECT AT CONCEPT OR FUNDING PROPOSAL STAGE

17. Project rationale: *[What is the rationale for the project? What is its strategic context? What is the primary need, and how was it identified? Is this program building on any previous activities, projects or policy?]*

Climate change is negatively impacting livelihoods for a majority of the population in Vanuatu, and is encumbering development and governance at the local level. These impacts will be heightened because of unfavorable climate projections such as the increased intensity of tropical cyclones. In addition, current efforts to adapt to climate change and its associated disasters are far from being transformational in scale and depth, and the need for adaptation across all sectors is immense. Consequently, it is important that adaptation to climate change is escalated at the local level to safeguard social and economic infrastructure, create opportunities for the most vulnerable communities to meet their needs, safeguard and restore critical ecosystems (for the purposes of livelihoods, income and biophysical integrity) and to foster resilient development into local governance

Numerous studies and assessments have shown a strong need for local level adaptation interventions to address the increasing impacts from climate change and to *strengthen local resilience*. Community-based approaches are increasingly emphasized as the most viable approach to adaptation planning and implementation in Vanuatu according to research conducted by Act for Peace & Vanuatu Red Cross.¹ According to recent assessments from SPREP, the brunt of most climate change impacts will be felt in communities and thus adaptation and disaster risk measures need to be implemented on the community-level. Thus, the effectiveness of any potential climate-resilience building measures is strongly linked to community stakeholders to ensure sustainability of these initiatives.² The Vanuatu Climate Change Finance Review of 2018 also made note of Vanuatu’s “need to ensure community engagement and identification of local level adaptation priorities within national processes, as well as comprehensive gender and social inclusion processes.” These are only a few examples of indicating the well-documented needs.

The proposed programme builds on the Local Climate Adaptive Living (LoCAL) Facility, designed and hosted by the UN Capital Development Fund (UNCDF), and aims to establish a mechanism whereby the capacity building support, the support to mainstreaming climate change into planning, budgeting and execution will be linked with additional resources for climate change investments, under the current government transfer system Provincial Councils (with the area councils within these) as well as offer incentives to improve performance in core areas of accountability, efficiency, targeting of investments for CC resilience and execution in mutually strengthening manner.

Experiences from other countries demonstrate that even a relatively limited top-up to the current sub-national government financing may have a significant impact on the overall local government system and overall quality of the investments if linked with incentives, improved monitoring and targeting of support. The approach will be multisectoral with strong synergies to existing interventions.

The programme is based on solid and comprehensive experiences from piloting and roll-out of performance-based climate resilience grants to 14 countries in Africa, Asia and the Pacific, and well-tested and proven methodologies for transferring of funds to the local level where climate change adaptation is most needed.

The performance-based climate resilience grants will provide the opportunities to promote the positive experiences from performance-based grants tested in numerous countries as a soft and strategic way of promoting good PG performance while keeping the discretion and autonomy of the system, yet ensuring traceability and additionality of climate finance. It will provide leverage on the overall intergovernmental fiscal transfer system, using existing and strengthened institutional framework, with significant impact on overall effectiveness and efficiency of public spending. It will also leverage lessons learned and experience sharing across a number of Pacific Countries – Tuvalu, which has already

¹ “Planning community-level adaptation to climate change in rural Vanuatu” – Granderson - Act for Peace, Red Cross (2014)

² “Pacific Island States Capacity Development Needs for CCA and DRR” – Faletau & Ronneberg - SPREP

started LoCAL from 2016, Solomon Islands, which has a general performance-based grant system in place, but where the design of the LoCAL has been completed and is ready for funding, and Fiji, where there is an ongoing concept note work under development.

The project will be part of a larger regional initiative: “Supporting Resilient Island Communities in Tuvalu, the Solomon Islands, Fiji and Vanuatu through the Local Climate Adaptive Living (LoCAL) Mechanism”. The LoCAL programme will strengthen the climate resilience of local communities and economies by improving the capacity of communities and local governments to access and use financing for adaptation investments. The establishment of a performance-based climate finance transfer mechanism and targeted capacity development will improve how climate funds are channelled to the local level and effectively programmed for locally led adaptation. The project will be managed by SPC and implemented by SPC and UNCDF, in partnership with the Governments of Tuvalu, the Solomon Islands, Vanuatu and Fiji, and aims at an expansion to 148 local governments by year 5.

The project is well aligned with the Vanuatu’s “2030 The Peoples Plan” is the ‘National Sustainable Development Plan’ (NSDP) for the period 2016 to 2030 and the policies on climate change adaptation. The NSDP recognises that the economy is dependent on a narrow range of productive sectors that are vulnerable to external shocks and charts the country’s vision and overarching policy framework for achieving a prosperous Vanuatu. The environment pillar seeks to ensure a pristine natural environment on land and at sea that continues to serve Vanuatu’s food, cultural, economic and ecological needs, and enhance resilience and adaptive capacity to climate change and natural disasters. The objectives of LoCAL fit well with this.

Although the central role of local governments is recognised directly or indirectly through their mandates for a range of sectors sensitive to climate change such as water management and land-use planning (zoning, buildings), local governments too often lack institutional, technical and financial capacities to play their full role in promoting the resilience of local communities and economies in a participatory and gender-sensitive manner. LG funding, largely provided through financial transfers from the state, is not sufficient to finance the transformational change required to achieve inclusive action for climate adaptation locally that builds the resilience of the most vulnerable communities, including women.

Overall, there is a lack of awareness, knowledge and incentives to enable action on the issue of climate change adaptation. There are limited technical capacities and knowledge, particularly in terms of access and the use of localised climate risk analysis to inform local adaptation planning. For example, communities have limited knowledge of climate-resilient agricultural practices that can increase yields. Likewise, local authorities struggle to identify and design the best coastal adaptation interventions to address increased sea level rise and storm surge. Limited technical capacity and knowledge are compounded by limited operational capacity with regards to human resources, equipment and tools as well as limited skills and experience, including financial management for grants and project management. There is also an inherent inability of government budgets alone to finance the incremental costs of climate change adaptation. With limited direct access to climate finance or budgetary allocations from the national level, local governments are unable to absorb the additional costs of climate change adaptation, while they also lack the capacity and funding to identify and support potentially income-generating adaptation projects that could be co-financed by the private sector.

Poverty and climate change are closely related. The poorest and most disadvantaged groups in the Pacific tend to depend on climate-sensitive livelihoods (such as agriculture) and also lack resources needed to withstand climatic impacts, which makes them disproportionately vulnerable to climate change. Climate shocks impact health and human capital, especially through mal-adaptive responses of poor households in post-disaster situations.³ Poor and rural households in the Pacific are disproportionately exposed to climate hazards and disasters. Physically, farmers and the rural and urban poor typically settle in at-risk areas due to lower land and housing prices. Furthermore, housing stock is usually made of cheaper and less resilient materials and design. Socio-economically, when poor people are affected by natural hazards or long-term impacts of climate change, their absolute losses can be smaller than those of wealthier households, but they typically lose a larger fraction of their wealth and income. These factors increase sensitivity to climate change and natural disasters. Beyond

³ World Bank 2019. See:

https://www.worldbank.org/content/dam/Worldbank/document/Climate/Climate%20and%20Poverty%20Conference/Conference_Summary_Climate_Change_and_Poverty.pdf

exposure and vulnerability, poor people have less ability to cope with a disaster given low incomes and savings which further diminishes their adaptive capacity and can make them even more vulnerable.

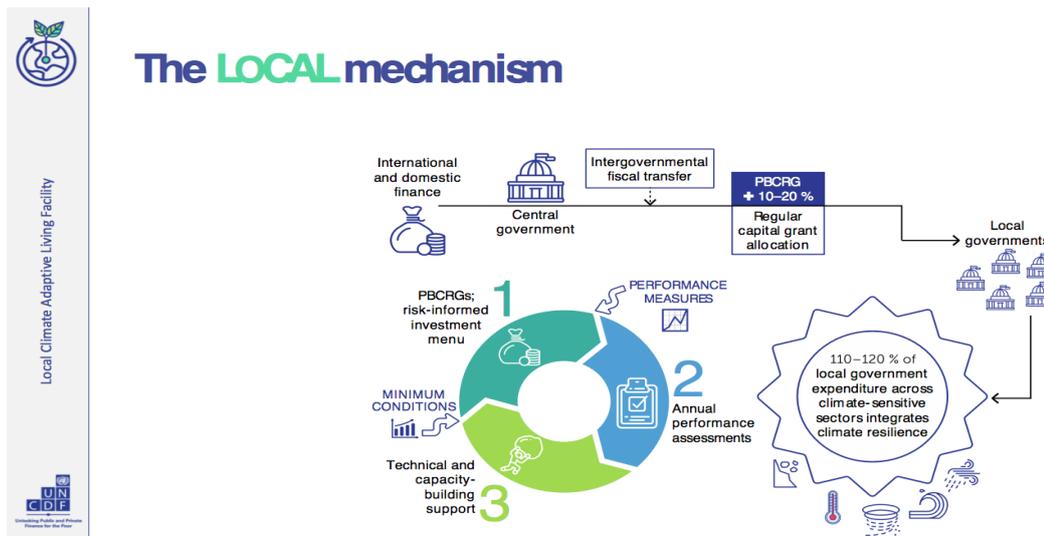
A number of gender specific issues can further compound the potential impacts of climate change. Despite the critical role that women play in food production, they often face barriers to accessing agricultural land, training, credit and services. The cumulative effects of poverty combined with social, economic and political barriers result in women often being disadvantaged in coping with the adverse impacts of the changing climate.⁴

As a result of the significant barriers facing Pacific Island communities, local communities are unaware of the considerable environmental and socio-economic benefits that can be generated from adaptation measures for agriculture, water security and coastal protection. Each of the barriers will be addressed comprehensively by the project interventions.

18. Project objective against the baseline:

The **overall objective** of the LoCAL programme Vanuatu is to increase the resilience of local economies and communities in the provincial councils and area councils below by establishing a performance-based climate resilience (PBCRG) top-up financing mechanism through enhancement of funding within the current development grant system.

LoCAL in Vanuatu make use of the existing funding system and grants to provincial governments under and augment this in terms of finance for CC interventions, assessment system with focus on climate change adaptation performance, M&E to track additional funding for CC targeted investments and CB/TA to ensure mainstreaming of climate change through the entire planning and project implementation structure, see below.



The **specific outcomes** of the programme are to:

- Increase local government's access to climate finance to implement climate change adaptation investments in 6 provincial councils (PCs) using a phased approach
- Establish and institutionalize a standard and internationally recognized country mechanism of performance-based climate resilience grants to PCs in Vanuatu.

The objective and outcomes will be addressed through the following three **outputs**

Output 1: Awareness and capacities to respond to climate change adaptation are increased at the local government (PC and area council) level.

Output 2: Climate change adaptation is integrated into targeted local governments' plans and budgets and climate change adaptation interventions and investments are implemented in line with the

⁴ UN Women 2019, Climate change, gender and food security in the Pacific. See: <https://www.uncclearn.org/wp-content/uploads/library/unwomen700.pdf>

performance-based climate resilience grant system, closely linked and aligned with the current transfer system.

Output 3: An effective performance-based climate resilient grant system (finance mechanism) is effectively and sustainably established in 6 provincial councils and operational for additional funding and for scaling up and outreach.

The instrument is based on refinement of the existing PC funding system, which will be augmented with funded targeting the climate change relevant aspects of new and current investments/services and strengthening of the climate change adaptation focus in all aspects of the grant management operations.

Indicative activities

Output 1: Awareness and capacities to respond to climate change adaptation are increased

Indicative **activities** under this output under this will include:

- Capacity and needs assessments and baseline setting;
- Sensitization and training of PC officials and elected representatives on the PBCRGs including eligible expenditures and related guidelines;
- Local climate risk and vulnerability assessments (CRVA) to ensure that vulnerabilities and risks are defined before the planning phase, starting in the target PGs;
- Local information systems for adaptation;
- General awareness raising and capacity building (training, on the job assistance) at central and PG levels;
- Targeted capacity building support to PCs addressing weaker areas as identified during the PG annual performance assessments (APA) under output 3
- Support to PG policies and strategies on climate change adaptation;
- Development and roll-out of the climate change handbook for PCs;
- Support to strengthening of the institutional framework and coordination arrangements for CC interventions and local level.

These activities will have to be started up-front upon the signing of all agreements.

Output 2: Climate change adaptation is integrated into targeted provincial governments' plans and budgets and climate change adaptation interventions and investments are implemented in line with the performance-based climate resilience grant system, closely linked and aligned with the current transfer system.

Indicative **activities** under this output under this will include:

- Support to adaptation planning and budgeting and PC selection of projects addressing key findings of the CRVA, regularly updated through Local information systems for subnational adaptation (LISA) and through support to the participatory planning process from villages to area councils and provincial councils;
- Transfer of annual allocation of PBCR grants based on performance of Provincial Councils in the PC's annual performance assessments (APA) (5 cycles, starting from FY 2022 with grant allocations in FY 2022, 2023, 2024, 2025 and 2026, based on prior annual performance assessments of the PG's performance.
- Support to PGs for efficient utilization of funds along the support to targeted investments in line with the menu of eligible climate investments (itself aligned with the INDC and NAPA);
- Identification, prioritization, planning, procurement and managing the climate resilient investments;
- Feed-back and backstop the PCs on implementation;
- Support to development and compliance with financial and physical outputs of PBCRG (top up of the grants) - monitoring and reporting on use of additional PBCR grants, review of investments and progress made (regular monitoring missions and backstopping).

This output will provide support to all aspects of the public financial management cycle from planning to flow of funds for climate relevant and smart resilience projects.

The funding system will be introduced in phases, with phase I targeting 2 PCs (including the area councils below), and the phase II rolled out to all the 6 provincial councils

- Phase I: 2 PCs linked with the area councils within for planning inputs
- Phase II: All 6 PCs (with their area councils for planning inputs)

The selected 2 PCs will receive, execute and account for the annual allocations of Performance-Based Climate Resilience Grants in the first phase (first three grant cycles: Year 1, 2, and 3) with scaling up to all 6 PGs in the 4th and the 5th year of the program. These grants will support activities that contribute directly to building climate resilience and develop climate change adaptation capacity at both community and PG level. A Programme Operational Manual will be developed during design, but it is expected that at least 80% of the PBCRG must be used for services and investments for climate resilience providing direct benefits to vulnerable communities, in accordance with the investment menu. Up to 20% of the PBCRG may be applied to support to additional costs of awareness raising, planning, technical advice and support, monitoring and evaluation for climate change adaptation, collectively termed "*investment servicing costs*".

Implementation of PBCRG-funded projects will follow the standard procurement and implementation procedures applying to the PCDF funds and the general PG Budget. Projects need to adhere to the LoCAL grant investment menu. Relevant categories of expenditure are recognized in the Investment menu: Climate Sector Services, Infrastructure for CCA and Climate Proofing (of general infrastructure). It is emphasized that conformance with the investment menu is necessary but not a sufficient condition for use of the PBCRG: eligible activities must be clearly linked to climate change related risks through compliance with the criteria in the Provincial Councils' CC Adaptation Strategy and Climate Change adaptation rationale for selection of projects, in line with LoCAL ACCAF.

In line with the National Policy on climate change, target LGs will develop Climate Change Adaptation Strategies based on Risk Informed Planning, Budgeting and Monitoring Guidelines for Sub-National Government INSTRUCTION NO: 001/2016/DLA/MoIA Dated- June, 2016 (or later revisions of this). These strategies will be based on a CVRA carried out using participatory methods at area council and village, and expert inputs reflecting science-based predicted climate change trends. The local CC Adaptation Strategies will identify the key threats arising from climate change, locations and communities at risks and specific vulnerable groups within the community, and key actions to build climate resilient communities. The local CC Adaptation Strategy will specifically identify the role of the PGs and activities that can be funded through the PG Budget (including both capital investments and recurrent expenditures), as part of the broader integrated response to climate change. The PG CC Adaptation Strategy will identify specific criteria to be used in selecting PBCRG funded activities. To ensure consistency with the National Climate Change Policy and with the objectives of LoCAL, these criteria will include some mandatory criteria to which a minimum overall weighting must be assigned.

The provincial councils' CC Adaptation Strategy will be integrated with the PG Development Plan. In the initial stage the CCA Strategy will be formulated only in those provinces receiving PBCRG but once the methodology has been tested and proven in practice it is hoped that it will be adopted as a core component of the planning guidelines for all provinces. LoCAL will support the development of planning tools and guidelines for this.

The PBCRG will not be pre-allocated to any specific sectors but will be defined during the inception phased but on the experiences from the PC mandatory tasks and the LoCAL program.

Clear and transparent criteria for grant allocation will be developed as part of the grant guidelines, and will include criteria such as equal share, population size and performance of the PCs.

A robust reporting systems will be elaborated following the ACCAF experiences under the global LoCAL Program.

In order to strengthen learning and assist in building capacity for climate change adaptation, a participatory evaluation will be carried out for a sample of PBCRG projects each year. The participatory evaluation will be carried out by the beneficiary community and will reflect on the technical quality of

the project output and on the benefits resulting from the project, as well as on the direct relevance of the project to climate change adaptation. The national and provincial team facilitating the process will make a separate technical assessment of each project. The results of the participatory evaluations and technical assessments will then be presented at a meeting of the PG planning committee, which will review the PC Climate Change Adaptation Strategy and identify any changes needed. Thus, during the first phase of LoCAL, climate change adaptation planning in the PC will be an iterative exercise with lessons learned from project implementation contributing to strengthening of the CCA strategy.

Output 3: An effective performance-based climate resilient grant system (finance mechanism) is effectively and sustainably established in all 6 provincial councils with linkages to the area councils by end of project and operational for additional funding and for scaling up and outreach, based on the existing transfers, which will be augmented with funded targeting the CC relevant aspects of new and current investments/services.

Indicative **activities** under this output under this will include:

- Detailed design of the LoCAL PBCRG mechanism closely linked with the current grant system and applying the core features of this system, including financial flow, minimum access condition with few additional conditions, performance measures with added CC indicators on CC adaptation performance, formula for the PBCRG, investment menu and related manuals for PCs, as brief and simple annexes to the current grant guidelines
- Undertaking, technical assistance and quality assurance for the annual performance assessments;
- Establishment of expenditure tracking system for expenditures within the accounting and reporting system linked to the existing transfer reporting system to ensure that the additional finance can be monitored;
- Deployment of the “Assessing Climate Change Adaptation framework” for quality assurance, monitoring and evaluation and reporting linked and complementary to the existing national frameworks; **See Annex.** As it appears this system fits well with the informed further refinement of the current transfer system ;
- Preparation of concept notes and project proposal with the Government of Vanuatu in close collaboration with Ministry of Climate Change, NAB and the Ministry of the Interior, Department of Local Authorities (DLA)
- Lessons learned and exchange of experience and international outreach to UNFCCC related events and conferences.

19. Policy coherence and alignment: The PBCRG funding mechanism under the LoCAL program will be closely aligned with the National Sustainable Development Plan, the National Climate Change Adaptation strategy for land based resources and the Vanuatu National Climate Change and Disaster Risks Reduction Policy (2016-30) and its priorities as well as with the National Determined Contributions. Furthermore, with the targeting of funding towards the provincial and area councils for cc adaptation, the program is closely aligned with Vanuatu’s decentralisation policy and objectives.

20. Current status: *[progress to date and current activities]*. A funding proposal is submitted at concept stage to the Green Climate Fund by the SPC, and this is awaiting comments and feedback. A consultancy team has been fielded and mobilised to provide the initial design of LoCAL in Vanuatu, and first meetings with NAB, MoCC and Mol, DLA have been conducted with a strong message that this proposal is of utmost importance. The program will be part of a larger regional program with Fiji, Tuvalu and Solomon Islands as well as with the Global LoCAL program, see <https://www.unCDF.org/local/homepage>

21. Market overview: *[If the project involves a particular market describe the products or services including the historical data and forecasts. If applicable, provide the key competitors with market shares and customer base. Also provide, if any, pricing structures, price controls, subsidies available and government involvement.*

Note applicable.

22. Implementing / executing entity background / justification: *[Quality of the management team, overall strategy, financial profile, equity investment, management, operations, production and marketing].*

The program will be organised by the Ministry of the Interior with strong policy support from the MoCC. The funds will be allocated to the provincial councils as performance-based climate resilience grants, based on the performance assessments of the PCs, and below them the area councils and the citizens will benefit from improved climate change resilience in core infrastructure and service delivery. The UN Capital Development Fund and the Pacific Community (SPC) will provide in-kind contributions in the form of technical assistance and capacity building support to ensure successful implementation of the programme.

23. Institutional / implementation arrangements: *[Governance structure of the project, organisation structure, roles and responsibilities of the project management unit, steering committee, executing entities and flow of funds structure. construction and supervision methodology with key contractual agreements, operational arrangements with key contractual agreements following the completion of construction]*

Vanuatu will be part of the global LoCAL board where all LoCAL countries are represented. At the country level, a LoCAL SC will be established with the core ministries and with representatives from the provincial councils and other agencies to ensure strong coordination. Below this a technical committee will be established. SPC, UNCDF and other funding partners will be observed to the SC and the TC.

24. Results Areas *[GCF projects only]*

- | | |
|--|--|
| Reduced emissions from (mitigation): | X Increased resilience of (adaptation): |
| <input type="checkbox"/> Energy access and power generation | <input checked="" type="checkbox"/> Most vulnerable people and communities |
| <input type="checkbox"/> Low emission transport | <input checked="" type="checkbox"/> Health/well-being, & food/water security |
| <input checked="" type="checkbox"/> Buildings, cities, industries & appliances | <input checked="" type="checkbox"/> Infrastructure and built environment |
| <input type="checkbox"/> Forestry and land use | <input checked="" type="checkbox"/> Ecosystems and ecosystem services |

25. Expected performance against investment criteria *[GCF projects only] [brief description]*

Impact potential

Based on LoCAL implementation in existing countries, the programme will benefit an estimated 15% of those residing in local governments' administrative boundaries where the programme is active. 100% of each targeted local population will benefit from at least one investment and/or activity and, more generally, from the project's outputs. The table below summarises the estimated direct and indirect beneficiary numbers in Vanuatu.

Country and targeted local governments Direct beneficiaries Indirect beneficiaries

Country and targeted local governments	Direct beneficiaries	Indirect beneficiaries
Vanuatu: 6 LGs (provincial government councils) with a population of 199,746.	29,962	169,784

The design, implementation and execution of all outputs described will serve the direct beneficiaries of the project through:

- Communities' involvement in planning and local governance processes
- Access to appropriate infrastructure and services in the face of climate change impacts
- Support for green economic recovery promoting alternative livelihoods in the face of reduced tourism
- Delivery of TA to local governments
- Opportunities to participate in the implementation of adaptation measures and infrastructure management

More broadly, the following will accrue to indirect beneficiaries:

- local economic development generated by investments and infrastructure improvements; and
- improved sub-national planning and public financial management at the local level.

Paradigm shift

Communities and local governments are gaining prominence in the design and implementation of climate change adaptation action. Climate-proof infrastructure, resilient processes and environments, and increased protection from critical vulnerabilities and the adverse effects of climate change directly benefit local communities.

While national governments transfer responsibilities through decentralisation policies, these responsibilities are not always accompanied by the relevant fiscal and human capital resources necessary to design and manage adaptation interventions at the local level.

The proposed project resolves these barriers and aims to achieve a paradigm shift in the way local governments in Vanuatu build resilience. The project achieves a paradigm shift through empowering local communities and governments with the adaptive capacity necessary to mainstream climate change adaptation into plans and budgets, and improving access to climate finance. Annual performance assessments ensure that planned investments effectively contribute to strengthening the resilience of local communities (e.g. localised and spatialised hazard, climate vulnerabilities and risks analysis undertaken to inform the planning of adaptation interventions), that local governments' performance improves from year to year (e.g. through annual performance assessments), that the mechanisms put in place in each country persist in the long term and can be scaled up in the country with different sources of funding. The programme is designed in a context where few sources of funding are available for small-scale sub-national adaptation funding investments. In the long term, the programme will facilitate the mobilisation of financing once sustainable and transparent mechanisms are in place and the capacities of the actors have been strengthened for planning informed by climate risks, implementation of the PBCRGs and investment management. This was the case, for example, in Cambodia where, once the LoCAL mechanism was rolled out (phase II), funding was provided by other donors (IFAD's ASPIRE programme, GEF funded Resilient Livelihoods Project).

Community monitoring and evaluation tools will strengthen the impacts of local actions and the accountability of local actors, in line with new decentralisation measures adopted by governments to enhance local budgeting and local governments' financial performance. LoCAL will strengthen/improve/reinforce some of the regional toolkits already in place to cooperate and share technical capacity and knowledge. Furthermore, the implementation of the LoCAL facility will create significant and valuable technical and institutional knowledge within local communities, but also knowledge exchange between them and those in other SIDS. They share common issues and solutions that can inform the successful implementation of similar finance mechanisms in climate resilience.

The project will facilitate the scale-up of this holistic approach of delivering TA and performance-based grants in Vanuatu. The mechanism deployment process itself allows replication. The programme is a scaling up of the LoCAL mechanism that has been initiated or rolled out across 14 countries in Asia, the Pacific and Africa. The integration of the mechanism within inter-governmental transfer systems will allow its continued deployment in other local governments at the end of the 6 years of the programme, and in the long term in all vulnerable local governments in the countries. Working in 4 countries in the Pacific will provide economies of scale, help generate and test tools with greater replication potential to mobilize financing as well as to contribute to the formalization of an internationally recognized standard to channel and deploy climate finance at the local level and ensure vertical integration of NAP and NDC processes and ensure enhanced direct access for local governments.

Sustainable development

The project is aligned with and contributes to several Sustainable Development Goals (SDGs). In particular, LoCAL will contribute directly to achieving SDG 1: No Poverty and SDG 13: Climate Action. Indirectly the project will contribute to SDG 5: Gender Equality; SDG 6: Clean Water; and SDG 8: Decent Work and Economic Growth. The programme will fund a variety of projects and activities (infrastructure, ecosystem adaptation, equipment, awareness and capacity building) that will each provide cross-cutting co-benefits, including the following:

- Economic: improved critical resilient infrastructure to prevent damage, delays and disruption, and enhance services and operations throughout supply chains. Enhanced support to local stakeholders through technical assistance activities will enhance local conditions and livelihoods, resulting in more dynamic local economies and support green economic recovery;
- Social: improved local governance; improved knowledge and awareness of climate change and climate-proofing responses for the community;
- Gender: the programme will target women's participation in decision-making processes and investment implementation and management; and
- Environmental: positive effects of nature-based adaptation measures, environmentally-friendly agricultural practices, improved forest ecosystem management will further enhance the resilience of the land.

Needs of recipients

In the face of climate challenges, the target countries share several common issues, notably common impacts of climate change and the high dependence of communities on natural resources due to the importance of the agricultural and fisheries sectors. While there are differences in the nature of the dependence upon natural resources, the impacts of climate change across sectors threaten to reverse the development achieved in Vanuatu and create a wave of climate refugees as islands become uninhabitable. Local governments are unable to absorb the additional costs associated with climate change adaptation as financial transfers from the central government level are generally insufficient to cover the cost. Inadequate funds are available to identify and support adaptation projects that could potentially generate income. Consequently, the project proposes to directly address these existing vulnerabilities and enhance the climate resilience of local communities by systematically targeting vulnerabilities and supporting and strengthening a variety of local context-specific processes to strengthen resilience. Additionally, it aims to help local actors better anticipate, plan, budget, and implement adaptation actions. This is particularly relevant in the context of COVID-19 where some SIDS, including Vanuatu, are experiencing a reduction in critical foreign exchange gained through key export sectors like tourism, a key economic sector for Vanuatu.

Country ownership

The LoCAL facility responds to and will be designed in coherence with Vanuatu's national frameworks on climate change and decentralisation and is aligned with NDCs and the NAPs as applicable. The concept note building on the regional LoCAL programme, which includes Vanuatu, has been endorsed for submission to GCF by the NDA of Vanuatu, which will co-chair the respective national steering committee in the country. Likewise, national representation is ensured on the regional project board. The design document (feasibility studies) of the national mechanisms in Vanuatu makes it possible to anchor the mechanism in their various specific contexts – political framework, institutional framework, complementarities with initiatives in place or in preparation. A menu of eligible adaptation investments or interventions eligible for adaptation at the local level will be developed in Vanuatu, taking into account the specific situation of the country.

Efficiency and effectiveness

Interventions require the use of non-repayable grants. Yet, a part of the programme is extended for result-based payments, which is a relevant incentive model in climate finance to bring about both liquidity for the investment but also knowledge and capacity that derives from the design and implementation of those measures at local level. Extensive implementation of the LoCAL mechanism globally has demonstrated that if targeted TA is delivered and PBCRGs are put in place, performance improvements in enhanced resilience will be possible and climate funds will be effectively and efficiently channelled to the local level with local ownership of climate issues. In general, development finance actors recognise the potential gains in efficiency and effectiveness related to local ownership of climate risks. More specifically, with regard to the proposed mechanism, feedback from current initiatives shows that: (i) the PBCRG incentive system works and contributes to a better consideration of climate issues at the local level, the amount of year-to-year grants being impacted by the relative scores of the previous year; (ii) integrating the mechanism into government systems avoids the creation of parallel planning and funding management systems; (iii) integrating the mechanism into government systems allows efficient scaling (geographic expansion) and facilitates national ownership of the mechanism; and (iv) the use of performance measures ensures a progressive reinforcement of the capacities of the local governments.

One of the main advantages of the LoCAL mechanism is that it requires very few specific systems and procedures, as it builds on those existing at the national level (intersectoral cooperation and coordination with other country-specific initiatives) and is embedded within national and local planning processes thus limiting transaction costs and institutionalising results obtained overtime.

26. Consultation *[Specify the plan for multi-stakeholder engagement, and what is been done so far in this regard, e.g. National, Provincial, Community, Civil Society, Private Sector]*

A desk scoping exercise to assess the conditions to successfully launch the LoCAL mechanism in Vanuatu took place throughout 2020. This process was followed by a series of consultations with the stakeholders, among which the NAB, NDA and the MoCC in Vanuatu to discuss the concept note and project proposal.

As the Concept Note develops into a GCF funding proposal, additional multi-stakeholder consultations for both the design and implementation phase are taking place before the proposal is endorsed and no-objection letters issued by the NDA for submission to the GCF. This involved virtual meetings with the NAB, MoCC and Ministry of Internal Affairs.

With due concerns on the Covid 19 situation core ministries and PCs will be consulted throughout the design and execution .

27. Potential overlaps / duplication to be resolved: *[What related projects are being undertaken in the area?]*

The project will be closely aligned with other CC adaptation programs, and linkages will be further explored during design.

28. Technical feasibility/evaluation: *[Brief summary of technical feasibility of project. Will the project fund local staff? If so, where? Are there additional staff required (e.g. counterparts, proposed T/A Positions)? TOR must be included for all T/A positions.*

Experiences from the LoCAL program in other countries, is the effectiveness of a small number of national support positions closely aligned with the core ministry. The annual performance assessments of the PCs will be contracted out to private firm/consultants to ensure neutrality.

29. Economic and financial analysis/viability: *[Brief summary of the economic and financial viability of the project]*

Economic analysis of performance grant systems e.g. under WB support performance based urban programs shows a high level of economic rate of return, in terms of the direct investments in infrastructure and the indirect benefits from enhance capacity of the sub-national governments and enhanced resilience and capacity to respond.

30. Financial management and procurement: *[Describe the project's financial management and procurement, including financial accounting, disbursement methods and auditing]*

The program will use the existing government systems for local level procurement and PFM, and the incentives in the annual performance assessment system will promote higher compliance and efficiency in use of these. Where needed the program will support development of further guidelines and manuals as well as systems and procedures.

31. Environmental and social considerations: *[e.g. environmental and social impact safeguards / assessments, vulnerability framework]*

A clearly defined eligible investments from the performance-based climate resilience grant mechanism will be developed as part of the grant manual. The annual performance assessment will ensure that the safeguards, e.g. environmental and social screening of projects where need be, will be adhered with and promoted.

32. Gender and social inclusion considerations: *[e.g. gender, disability, indigenous concerns, assessment of any benefits from project to women, youth, children and vulnerable groups]*

The performance measures in the annual assessment system will promote inclusion of these groups in planning, project execution and implementation as well as monitoring. A gender based M&E system will be developed as part of the grant guidelines.

33. Monitoring, reporting and evaluation: *[How will the project be monitored and evaluated? Provide project specific institutional and implementation arrangements for monitoring, reporting and evaluation. Provide methodologies for monitoring and reporting of the key outcomes of the project]*

A critical part of the program is the annual performance assessment of the performance of the provincial councils in the planning and use of the PBCRG grants, and this will form an important part of the M&E system.

Furthermore the LoCAL M&E system (ACCAF) will be customized and used to ensure tracking of systems and procedures, outputs and outcomes right from the initial vulnerability assessment to the monitoring and evaluation of the projects. There will be annual reporting from the program, Midterm and Final Review and regular monitoring missions from the LoCAL program and SPC.

34. Sustainability measures: *[Exit strategy/ how will the project be sustained after project funding? What is the Vanuatu Government funding source? What is the future maintenance requirement? What are the future recurrent cost implications for the Government?*

Funding has been proposed to the GCF through a regional initiative with Fiji, Tuvalu and Solomon Islands through the SPC. Other fund raising initiatives will be launched from the LoCAL global program as well as regional and national based development partners. The maintenance requirements, typically in tune of about 5 % of the investments depending on sector and subsector will be covered by existing government funding resources. However, of the investments in more climate resilient investment reduces the need for recurrent maintenance qua the higher quality and resilience of the structure supported.

35. Supporting documents *[where applicable]*

- | | | |
|--|--|--|
| <input type="checkbox"/> Budget template <i>[mandatory]</i> | <input type="checkbox"/> Risk assessment <i>[mandatory]</i> | <input type="checkbox"/> Logical framework |
| <input checked="" type="checkbox"/> Concept note to GCF analysis | <input type="checkbox"/> Funding proposal | <input type="checkbox"/> Financial |
| <input type="checkbox"/> Environmental analysis | <input type="checkbox"/> Project timetable | <input type="checkbox"/> Letter of support |
| <input type="checkbox"/> Consultation evidence | <input type="checkbox"/> Location map <i>[detailed plans where construction is involved]</i> | |

36. Provincial consultation certification by implementing/executing entity

I certify that the Province has been consulted with and the project is consistent with the Provincial Governments Provincial Plan. I also confirm that I am not aware of any ongoing disputes or disagreements that may adversely impact on the implementation of the project. A letter of support is attached.

Name	Signature	Date
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37. Director of Lead Government Agency

I certify I have checked the project profile, and any other supporting information for screening this project. I am satisfied that this project proposal is ready for presentation for approval.

Name	Signature	Date
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38. DSPPAC Sectoral Specialist sign off

I certify I have checked the project profile, and any other supporting information for screening this project. I am satisfied that this project proposal is ready for presentation for approval.

Name	Signature	Date
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39. Director General's Certification

I certify that I have checked the project profile, and any other supporting information for screening this project. I am satisfied that this project proposal is ready for presentation for approval. I understand that no Government funding will be released for the project until the project has been approved by the appropriate government authorities, any additional government contribution has been appropriated, the approved donor funding has been released and a detailed project income and expenditure form has been submitted.

Name	Signature	Date
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40. Logical framework (objectives, impacts, outcomes, outputs, activities and inputs) *

Objective *[The theory of change represents the long-term vision of the project (adaptation, mitigation or disaster risk reduction) and how this can be achieved through short-, medium- and long-term changes]*

<i>[Adaptation, mitigation, disaster risk reduction]</i>	<i>[Elaborate on the objectives to which the project contributes] [For GCF projects a shift to low-emission sustainable development pathways, or increased climate-resilient sustainable development]</i>					
	See the enclosed log-frame					
Expected Result	Indicator	Means of Verification	Baseline	Target		Assumptions
				Mid-term	Final	
Impacts (that contribute to the objective)						
<i>[For GCF projects refer to the performance measurement framework]</i>						
Project outcomes (that contribute to impacts)						
Project outputs (that contribute to outcomes)						
1.						
Activities	Description	Inputs		Description		
1.1		1.1.1.		<i>[Expand tables as needed]</i>		

**please use this format only if there is not a mandatory format required by the implementing/executing entity*

41. Project budget summary (estimated in Vatu '000)

Items/component	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	% of Total
Loans <i>[specify source]</i>								
Grants <i>[specify source]</i>	46,574,175	46,574,175	65,454,850	65,454,850	65,454,850	65,454,850	354,967,750	52%
Aid in kind*	55,387,000	55,387,000	55,387,000	55,387,000	55,387,000	55,387,000	332,322,000	48%
Government of Vanuatu								
Other e.g. GCF, community								
<i>expand table as needed</i>								
Total	101,961,175	101,961,175	120,841,850	120,841,850	120,841,850	120,841,850	687,289,750	100%

** contributions made directly towards projects realisation such as equipment, materials, labour, T/A, building works, vehicles, time etc. and other quantifiable resources that count towards the achievement of the project results*

42. Project component costs (estimated in Vatu '000)

Items/component	Year 1	Year 2	Year 3	Year 4	Year 5	Total	% of Total
Equipment/materials							
Personnel/staff/labour							
- e.g. technical assistance							
- e.g. local salaries							
Training/workshops etc.							
Travel							
<i>expand table as needed</i>							
Total							100%

This is for the main project components only. Not every cost needs to be specified. Other examples of components might be accommodation, vehicles, fuel, freight, allowances, VNPF contributions, telephone, computers, stationery, an implementing entity administrative fee (if included as part of the loan/grant), project monitoring, contracts, rent, printing, overheads etc.

[Information provided on this form will be made publicly available unless otherwise agreed with the NAB Secretariat]

43. Project risk factors, mitigation measures, and assessment tool*

[Use tool to describe the financial, technical/operational, social/environmental and other risks that may prevent the project objectives from being achieved, and proposed risk mitigation measures.]

The section below is the preliminary risk assessment conducted during concept phase, which will be updated during design. A few critical has been up-loaded in the NAB format below.

Risks	Level of Risk (L, M, H)	Mitigation measures
Limited capacities of Provincial councils and below the area councils	M (to high)	<ul style="list-style-type: none"> ● Performance-based grants system provide incentive for continuous improvement and inform annually the needs for technical and capacity building support. ● Dedicated activities for skills development under the complementary programs. ● Strong prior capacity assessment done at local level and adequate training and TA deployed at the beginning of the programme. ● The programme will supplement the support from other programs and support the gaps identified for inter alia climate risk and vulnerability assessments and mainstreaming of climate change in all processes.
Lack of targeting of the capacity building support to needed areas	M	<ul style="list-style-type: none"> ● The annual performance assessments will enable better targeting of the capacity building and training to the needed areas, and there should be clear linkage between the APA and the provided CB support
Environment and climate risks are not addressed sufficiently	M	<ul style="list-style-type: none"> ● The annual performance assessment system will include performance measures addressing CC and the menu of investments, aligned with the NDC and NAPA, will include ecosystem-based adaptation and green technologies. ● Technical assistance will support enhanced capacities to address these issues across. ● The ACCAF ME and QA framework is addressed across the programme during design, implementation and evaluation, ensuring the use of a risk informed investment menu and the alignment of local interventions with local adaptation priorities.
The transfers from general grant system will vary across FYs	L	<ul style="list-style-type: none"> ● Dialogue with Government throughout the programme on timely disbursements from other grants and how they link with the performance-based climate resilience grants. ● Support up-date Work on reforms of other grants on legal framework and guidelines

Risks	Level of Risk (L, M, H)	Mitigation measures
Misuse of funds by government officials (maladministration, corruption or “clientelism”)	M	<ul style="list-style-type: none"> • Regular financial checks and annual performance assessments act as a deterrent to corruption and “clientelism” or identify any misuse of funds at the earliest opportunity. • Financial reports received from the PGs must comply with pre-defined quality requirements to secure the disbursement of a next tranche of funds. • Follow-up on audit report, and impact of these on the allocation of funds. • Good governance and audit results are integrated in the design of the PBCRG system (in the form of minimum conditions to access the grants at local level each year). • The MoIA, DLA enforcing compliance to the PFM regulations and Manuals
Delays in the completion of the annual performance assessments (supposed to be completed 3 months before the FY) continues	M	<ul style="list-style-type: none"> • Agreement on the timing of the annual performance assessments of PGs to ensure that they are completed before the start of the FY and best before October each year. The best time to commence the annual assessment should be around July each year and be completed by end of September. There will be transitional arrangements for the first FY. Support from LoCAL to quality assurance (QA) on the validation of CC performance measures and contribute to the funding of the performance assessments will be provided .
Credibility of the annual performance assessments	M	<ul style="list-style-type: none"> • Contracted out to neutral party (company) • Verification by LoCAI and quality assurance • System for reconciliation of results from APA and QA • Transparent process
Unclear roles of various parties and agents	L	<ul style="list-style-type: none"> • <i>Clear description of the roles in the grant operational manual</i> • <i>Steering committee established to ensure strong coordination.</i>
Delays in release of funds	M	<ul style="list-style-type: none"> • MCC and DLA should coordinate more with the MoFT to earn their support and buy-in on the program for funding sustainability. • MoU signed on the flow of funds from UNCDF through GoV to the PGs

Risks	Level of Risk (L, M, H)	Mitigation measures
Low level of participation of communities and people in the planning, and follow-up	M	<ul style="list-style-type: none"> Support to implementation of participatory planning process and interactive dialogue on vulnerable areas, sectors, and segments of the population. Appropriate channels and messages used to ensure targeted beneficiaries are aware of the opportunities. The performance measures will provide better incentives for local governments to strengthen participation and the programme will work with PGSP to focus on improvements Support to new planning guidelines which promotes participatory planning from village level via areas councils to provincial governments
Limited leverage of additional investments	M	<ul style="list-style-type: none"> The size of the grants will be monitored vis-à-vis other funding available to ensure that sufficient incentives are available and that the new funds create additionality.
Insufficient political buy-in	M	<ul style="list-style-type: none"> The advocacy activities will build on evidence generation and strong leaders and networks for lobbying. The participation in LoCAL will be voluntary and based on MoUs. At the national level, government policies will be regularly reviewed to monitor alignment with and of the programme. Continued dialogue with the PGs Request from PGs to sign up on a participatory agreement
Delays in programme launch and implementation	L	<ul style="list-style-type: none"> Preparatory work will be undertaken with co-financing <ul style="list-style-type: none"> - Design of the delivery mechanism (Output 3). - Synergies with existing programmes from the partners.

Selected Risk Factor 1				
Description	Risk category	Level of impact	Probability	Score
<p>[Description of risk factor, e.g. new government regulations, loss of key staff, delays in delivery of equipment etc.]</p> <p>Limited capacities of Provincial councils and below the area councils</p>	<p>Select [financial, technical/operational, social/environmental, other]</p> <p><i>Financial and technical</i></p>	<p>Select [low <5% of project value, medium 5-20%, high >20%]</p> <p>Medium</p>	<p>Select [low, medium, high]</p> <p>Medium</p>	4
Mitigation Measure(s)				
<ul style="list-style-type: none"> Performance-based grants system provide incentive for continuous improvement and inform annually the needs for technical and capacity building support. Dedicated activities for skills development under the complementary programs. Strong prior capacity assessment done at local level and adequate training and TA deployed at the beginning of the programme. The programme will supplement the support from other programs and support the gaps identified for inter alia climate risk and vulnerability assessments and mainstreaming of climate change in all processes. 				

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Selected Risk Factor 2				
Description	Risk category	Level of impact	Probability	Score
Misuse of funds by PC/AC government officials (maladministration, corruption or “clientelism”)	Financial	Medium (5.1-20% of project value)	Medium	4
Mitigation Measure(s)				
<ul style="list-style-type: none"> Regular financial checks and annual performance assessments act as a deterrent to corruption and “clientelism” or identify any misuse of funds at the earliest opportunity. Allocation of funds based on the performance of the PCs Financial reports received from the PCs must comply with pre-defined quality requirements to secure the disbursement of a next tranche of funds. Follow-up on audit report, and impact of these on the allocation of funds. 				
Selected Risk Factor 3				
Description	Risk category	Level of impact	Probability	Score
Low level of participation of communities and people in the planning, and follow-up	Technical and operational	Medium (5.1-20% of project value)	Medium	4
Mitigation Measure(s)				
<ul style="list-style-type: none"> Support to implementation of participatory planning process and interactive dialogue on vulnerable areas, sectors, and segments of the population. Appropriate channels and messages used to ensure targeted beneficiaries are aware of the opportunities. The performance measures will provide better incentives for local governments to strengthen participation and the programme will work with PGSP to focus on improvements Support to new planning guidelines which promotes participatory planning from village level via areas councils to provincial governments 				
Selected Risk Factor 4				
Description	Risk category	Level of impact	Probability	Score
Unclear roles of various parties and agents	Technical and operational	Low (<5% of project value)	Medium	2
Mitigation Measure(s)				
<ul style="list-style-type: none"> <i>Clear description of the roles in the grant operational manual</i> <i>Division of task clearly described in the program document</i> <i>Steering committee established to ensure strong coordination</i> 				
Total score (add all the scores and divide by the total number of risk factors)				
<p><i>[Describe other potential issues which will be monitored as “emerging risks” during the life of the project (i.e. issues that have not yet raised to the level of “risk factor” but which will need monitoring). This could include issues related to external stakeholders such as project beneficiaries or the pool of potential contractors.]</i></p> <p>14/4= 3.5</p> <p>The LoCAL program has an elaborated system for risk assessment and current monitoring through the LoCAL ACCAF system</p>				

*These are project related risks, not broader, general, global climatic and environment risks

	Probability	Low	Medium	High
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Impact	Score	(1)	(2)	(3)
Low	(1)	1	2	3
Medium	(2)	2	4	6
High	(3)	3	6	9

Multiply the impact of each risk factor by the probability of each risk factor to give an individual risk factor score. Then add all the individual risk factor scores and divide by the number of risk factors to give an overall project risk score.

Key 1 Negligible 2 Minor 3 Moderate 4 Major 6 Severe 9 Extreme

History of the document

Version	Date	Nature of revision
1.0	NAB Meeting 9 February 2018	Initial endorsement