

# Concept Note

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## **Local Governments and Climate Change (LGCC)**

Cambodia | National Committee for Sub-National Democratic Development - Secretariat (NCDD-S)

26 January 2017



**GREEN  
CLIMATE  
FUND**



# Concept Note

**The Green Climate Fund (GCF) is seeking high-quality projects or programmes.**

Accredited entities may choose to submit a concept note, in consultation with the relevant national designated authority, to present the proposed project or programme idea in order to receive early feedback and recommendation.

Project/Programme Title: LOCAL GOVERNMENTS AND CLIMATE CHANGE (LGCC)

Country/Region: CAMBODIA

Accredited Entity: National Committee for Sub-National Democratic Development - Secretariat (NCDD-S)

National Designated Authority: H.E. Minister for the Ministry of Environment and Chair of National Council Sustainable Development

Please submit the completed form to [fundingproposal@gcfund.org](mailto:fundingproposal@gcfund.org)<sup>1</sup>

A. Project / Programme Information	
A.1. Project / programme title	LOCAL GOVERNMENTS AND CLIMATE CHANGE - 3
A.2. Project or programme	Programme
A.3. Country (ies) / region	CAMBODIA
A.4. National designated authority(ies)	H.E. Minister for Ministry of Environment and Chair of National Council for Sustainable Development
A.5. Accredited entity	NATIONAL COMMITTEE FOR SUB-NATIONAL DEMOCRATIC DEVELOPMENT (NCDD-S) <i>Contact Person:</i> H.E. Ngan Chamroeun, Deputy Executive Head of NCDD-S, <i>Address:</i> Ministry of Interior Compound (Building T), Norodom Boulevard, Sangkat Tonle Basak, Khan Chamkar Morn, Phnom Penh Capital, Kingdom of Cambodia <i>Telephone:</i> +855 23 720 038 / 720 061 <i>E-mail:</i> ngan.chamroeun@ncdd.gov.kh
A.6. Executing entity / beneficiary	Executing Entity: NCDD-S Beneficiary:
A.7. Access modality	Direct <input checked="" type="checkbox"/> International <input type="checkbox"/>
A.8. Project size category (total investment, million USD)	Micro ( $\leq 10$ ) <input type="checkbox"/> Small ( $10 < x \leq 50$ ) <input checked="" type="checkbox"/> Medium ( $50 < x \leq 250$ ) <input type="checkbox"/> Large ( $> 250$ ) <input type="checkbox"/>
A.9. Mitigation / adaptation focus	Mitigation <input type="checkbox"/> Adaptation <input checked="" type="checkbox"/> Cross-cutting <input type="checkbox"/>
A.10. Public or private	public
A.11. Results areas (mark all that apply)	<i>Which of the following targeted results areas does the proposed project/programme address?</i>
	<p>Reduced emissions from:</p> <p><input type="checkbox"/> Energy access and power generation (E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.)</p> <p><input type="checkbox"/> Low emission transport (E.g. high-speed rail, rapid bus system, etc.)</p> <p><input type="checkbox"/> Buildings, cities, industries and appliances (E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.)</p> <p><input type="checkbox"/> Forestry and land use (E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)</p> <p>Increased resilience of:</p> <p><input checked="" type="checkbox"/> Most vulnerable people and communities (E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.)</p> <p><input checked="" type="checkbox"/> Health and well-being, and food and water security (E.g. climate-resilient crops, efficient irrigation systems, etc.)</p> <p><input checked="" type="checkbox"/> Infrastructure and built environment (E.g. sea walls, resilient road networks, etc.)</p> <p><input checked="" type="checkbox"/> Ecosystems and ecosystem services (E.g. ecosystem conservation and management, ecotourism, etc.)</p>

<sup>1</sup> Please use the following naming convention for the file name: “[CN]-[Agency short name]-[Date]-[Serial number]” (e.g. CN-ABC-20150101-1).

A.12. Project / programme life span	...5..... years
A.13. Estimated implementation start and end date	Start: .....1 <sup>st</sup> January 2017..... End: .....31 <sup>st</sup> December 2022.....

### B: Description Of Consultation And Selection Process

This proposal is prepared with the support of Cambodia's Ministry of Environment (MoE) and the National Council for Sustainable Development (NCSD) which are led by H.E Minister for Ministry of Environment and Chair of NCSD who is the National Designated Authority (NDA) for the Royal Government of Cambodia (RGC).

Cambodia established its National Committee for Climate Change (NCCC) with its Secretariat in MoE in 2006. Cambodia's Climate Change Adaptation Plan (CCCAP) was adopted in 2013 with participation of the member Ministries and institutions of the NCCC as well as non-government stakeholders. In 2015, the NCCC was integrated in the new National Council for Sustainable Development (NCSD).

Decentralisation and developing capacity for local governance are major policy objectives of the Royal Government of Cambodia (RGC). Within the framework of the NCCC/NCSD and the CCCAP, National Committee for Sub-National Democratic Development Secretariat (NCDD-S) supports mainstreaming of climate change adaptation (CCA) in the planning, budgeting and implementation processes of local governments. NCCC-S has cooperated with Ministry of Planning (MoP) and Ministry of Economy and Finance (MEF). Beginning in 2011 with a grant from the Cambodia Climate Change Alliance (under MoE) NCDD-S has piloted a system of Performance Based Climate Resilience Grants (PBCRG) to incentivise local governments to act on climate change adaptation and to co-finance adaptive investments. This pilot has received support from UNCDF's global Local Climate Adaptive Living (LoCAL) programme.

Based on this experience, the NDA identified NCDD-S as potentially fulfilling the requirements for accreditation to GCF as a National Implementing Entity (NIE) under the Enhanced Direct Access pilot based on (1) its well-established structure and demonstrated capacity for transparent and effective management of external development assistance funds; (2) its mandate and track record in channelling funds to sub-national tiers of government for development purposes including climate change adaptation; and (3) the existing framework for grants to sub-national governments for climate change adaptation which is piloted and ready for scale-up. Accordingly, NDA has proposed to GCF that NCDD-S be accredited as NIE and the accreditation progress is under way.

The proposal presented here is based on discussions with a broad range of stakeholders including national and sub-national governments, civil society organisations and development partners. The proposal represents a scaling up of NCDD-S's existing PBCRG. As such, the proposal represents low risk and a relatively short time-scale to achieve impacts. It also represents the opportunity for complementarity and synergy with funds from other development partners and from RGC.

Following technical discussions, the Deputy Executive Head of NCDD-S and the Secretary of State of MoE / Secretary General of the National Council for Sustainable Development (NCSD) convened a meeting on 30th October 2015. NCDD-S presented the Concept Note for LoCAL Phase 3. It was also noted that the eligibility of the PBCRG financing instrument for support under the EDA had been confirmed in direct talks between UNCDF and GCF. The outcome of this meeting was agreement in principle that MoE should support NCDD-S' request for accreditation and for preparation of an initial proposal for GCF funding to scale up the PBCRG mechanism, which is presented here.

### C. Project/Programme Details

C.1. Project / programme description (including objectives)	<p><b>PROGRAMME GOAL: Reduced vulnerability to climate change impacts of people, and critical systems (natural and societal) in the most vulnerable rural Districts of Cambodia.</b> This Goal is aligned with Goal #1 of the Cambodia Climate Change Strategic Plan ("Reducing vulnerability to climate change impacts of people, in particular the most vulnerable, and critical systems (natural and societal)."). The Goal is also aligned with Strategic Level Impact #1 of the GCF's adaptation logic model: "Increased resilience and enhanced livelihoods of the most vulnerable people, communities, and regions."</p> <p><b>PROGRAMME OBJECTIVE: Cambodia's local governments (rural Districts and Communes) are enabled to plan, finance and implement investments to increase resilience to climate change.</b> Achievement of the Project Objective will</p>
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	<p>be demonstrated by evidence of institutionalised changes in planning, financing and implementation of climate change adaptive investments at the sub-national level.</p> <p>The Programme will be implemented through four <b>Components</b> with associated Outcomes as follows: (1) Poor and vulnerable households and communities in at least 60 Districts have increased resilience to climate change as a direct result of at least \$25 million of investment in climate-adaptive infrastructure and services; (2) Climate-vulnerable local governments have strengthened capacity to identify climate change related threats and to plan and execute appropriate community adaptation measures; (3) Policy and programme supporting sub-national CCA investments are defined and strengthened; and (4) Cambodian national and local government officers share knowledge and develop cooperation with sub-national CCA programmes in comparable countries. GCF funds will be used to co-finance Components 1 and 2 together with contributions from the grantee local governments. Co-financing for Components 3 and 4 will be mobilised by UNCDF.</p> <p>The financing instrument under Component 1 will be the Performance Based Climate Resilience Grant (PBCRG) which is the key feature of UNCDF's LoCAL methodology and has been piloted in Cambodia by NCDD-S since 2012. NCDD-S currently finances PBCRG with UNCDF support in 8 Districts and will expand to an additional 26 Districts with support from IFAD and UNDP/GEF. GCF funding the PBCRG will become a truly national system, meaning that all Districts nationwide could potentially qualify for grants subject to on vulnerability and on conformance with minimum access conditions. It is anticipated that about 50% of Districts (100 Districts in total) will eventually receive PBCRG financed by GCF and other sources.</p> <p>PBCRG are fiscal transfers to the budgets of local governments (LG) to support the cost of climate change adaptation. Selection of LGs, allocation formula and eligible expenditures of the grants are described in Section E. LGs mainstream climate change adaptation in their local development plans and budgets and identify priority investments to build climate resilient communities. PBCRG funds are a top-up grant to pay the additional costs of climate change adaptation over and above the normal costs of investments for development. The PBCRG are reflected in the recipient LG budget. Implementation is through the regular budget execution procedures including procurement, financial management and reporting. Most activities are implemented by contractors and service providers. LG institutional arrangements for transparency and accountability apply.</p> <p>At local level, base costs of investments are financed from the general budget resources of local governments while PBCRG funds are a top-up to cover climate change adaptation related costs.</p>
<p>C.2. Background information on project/programme sponsor</p>	<p>National Committee for Sub-National Democratic Development (NCDD) is an inter-Ministerial body responsible for steering Cambodia's decentralisation reforms and was established by Royal Decree in 2008. The NCDD Secretariat (NCDD-S) has managed, disbursed and reported on a total of US\$ 83 million under its core IP3 / IP3-2 multi-donor basket fund supporting the National Programme for Sub-National Democratic Development (NP-SNDD). It also manages approximately US\$ 15 million per year through stand-alone projects that are functionally integrated with NP-SNDD but have separate financial management arrangements.</p> <p>NCDD-S is represented at Secretary General level on the National Council for Sustainable Development (NCSDD), NCDD-S has cooperated with NCCC, NCSDD and MoE, together with other relevant Ministries and non-government stakeholders, to develop policy and guidelines to mainstream CCA in planning, budgeting and implementation at the sub-national level. NCDD-S has successfully implemented a number of CCA initiatives, including the Local Governments and Climate Change (LGCC) project which has been the vehicle for piloting the PBCRG financing mechanism.</p> <p>LGCC has soundly demonstrated the effectiveness of the innovative CCA finance mechanism. It is now entering Phase III, in which the programme is rolled out nationwide and enters into new partnerships to implement cost-effective CCA projects in Cambodia. This programme falls squarely within the GCF's own aims and priorities. Moreover, it represents an innovative finance mechanism to channel funding for adaptation at local level and build the capacity of sub-national</p>

	<p>governments accordingly. and to build the capacity of sub-national governments across Cambodia. It represents an opportunity for GCF to achieve significant, sustainable, and cost-effective impact across Cambodia.</p> <p>In early 2016 NCDD-S was nominated by the NDA to become an NIE of the GCF. PWC conducted a Readiness Gap Assessment in March-April 2016 and a readiness Action Plan has been prepared.</p> <p>The LGCC was one of the first country pilots of UNCDF's LoCAL programme which has now expanded to 12 Least Developed Countries (LDC) across the Asia-Pacific region and Africa. Cambodia continues to be regarded as a best practice example for LoCAL. The LoCAL approach is based on the insight that while local governments in LDCs are in a unique position to identify the climate change adaptation (CCA) responses that best meet local needs, they rarely benefit from earmarked resources for adaptation because they are allocated at the national level. To participate, local governments must demonstrate that they have the capacity to implement projects, including that their finance systems comply with all Minimum Conditions (MCs). The size of annual grant awards is determined by a formula which takes into account performance in previous funding cycles. Capacity building and technical support are also important components of a LoCAL partnership. The details vary somewhat from country to country because they are tailored to fit into various public finance and governance systems; however, core elements include capital grants (PBCRG) delivered through the core budget and financial management systems of the local governments, a performance assessment process, and capacity building. NCDD-S continues to benefit from UNCDF technical support and financing and its participation in LoCAL also provides it with access to a community of international experience on local government action for CCA.</p>
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D. Expected Performance against Investment Criteria	
Please explain the potential of the Project/Programme to achieve the Fund's six investment criteria as listed below.	
<p>D.1. Climate impact potential</p> <p><i>[Potential to achieve the GCF's objectives and results]</i></p>	<p>The direct benefits of the programme are in increased climate resilience of vulnerable households and communities. Total direct beneficiaries would be around 1 million Cambodian rural households (i.e. about 50% of all rural households) who would benefit from access to improved climate-resilient general economic and social infrastructure, investments in specific climate adaptive infrastructure such as water supplies, irrigation and flood defences, and climate-adaptive services such as climate smart agriculture extension.</p>
<p>D.2. Paradigm shift potential</p> <p><i>[Potential to catalyze impact beyond a one-off project or programme investment]</i></p>	<p><b>Potential for scaling up and replication:</b> the proposed programme scales up an existing pilot. Further replication beyond the programme period will be achieved by institutionalizing the system of PBCRG grants using a mixture of domestic budget funding and funds mobilised from overseas development assistance. The Cambodia LoCAL programme is already a leading pilot and exemplar for the LoCAL programme internationally and the experience of scaling up in Cambodia will be documented and used to inform scaling up of other LoCAL country programmes.</p> <p><b>The potential for knowledge and learning</b> is high and arises from (1) documentation of innovative climate adaptive investments by local governments (LGs) and measured social, economic and climate adaptive benefits; (2) experience of adapting LG public expenditure management systems (planning, budgeting, execution and financial management) for earmarked climate-adaptation finance; and (3) insights into the effectiveness of design features of performance based climate resilience grants including targeting, allocation formulae, minimum access conditions and performance assessment. Knowledge and learning will be supported by Component 4 of LGCC which is financed by funds mobilised by UNCDF. The UNCDF financed activities will include studies to extend the LoCAL model by mobilizing private sector funds for climate change adaptation through</p>

	<p>public-private partnerships (including partnerships with social enterprises) with LGs.</p> <p><b>Contribution to the creation of an enabling environment:</b> Because the PBCRG mechanism is implemented through the regular planning, budgeting and implementation processes of LGs it supports institutionalizing systems while individual LGs are incentivized to mainstream CCA in these processes and to develop technical capacity e.g. for climate proofing of infrastructure. The LGCC pilot has demonstrated the willingness of LGs to allocate their own funds for co-financing of adaptive investments. Demonstrated success supports additional mobilization of funds as is already seen with donors including IFAD and GEF (through UNDP) supporting initiatives that partially replicate the PBCRG. The experience of LG participation in the overall CCA effort contributes to knowledge needed for policy-making at national level.</p> <p><b>Contribution to the regulatory framework and policies:</b> LGCC is implemented within the framework of the RGC's National Programme for Sub-National Democratic Development and is also implemented in close cooperation with the National Council for Sustainable Development. The experience of LGCC implementation informs policy development including expanding the mandate of LGs for climate adaptive action, integrating climate change into planning, budgeting and execution systems of local government etc. These aspects are supported by Component 3 of LGCC (Policy and Programme Development) which is financed by funds mobilised by UNCDF.</p>
<p>D.3. Sustainable development potential <i>[Potential to provide wider development co-benefits]</i></p>	<p>Economic and social co-benefits will arise from co-financing the climate proofing costs of local infrastructure and related services in around 50% of Cambodia's rural Districts. These Districts are home to around six million people including many of Cambodia's poorest and most vulnerable communities. Investments in climate-resilient roads, irrigation systems and flood defences together with capacity development for climate-resilient agriculture production will support economic development. Investments in water supplies and other types of climate-resilient social infrastructure will produce health and social co-benefits.</p> <p>By financing through the budgets of the District and Commune Councils the programme will also contribute to the development of responsive, democratically accountable local government in Cambodia.</p> <p>Programme activities will be planned and implemented in accordance with gender mainstreaming principles. Gender perspectives on climate vulnerabilities will be assessed through the Vulnerability Reduction Analysis (VRA) tool which includes women's and men's focus groups. The majority of investments are expected to be in public infrastructure which provide benefits (though not always the same benefits) to both women and men. The Annual Performance Assessment measures indicators of success in ensuring that women's specific CCA needs are identified and addressed and so provide the LG with a financial incentive to ensure this is done.</p>
<p>D.4. Needs of recipient <i>[Vulnerability to climate change and financing needs of the recipients]</i></p>	<p>Cambodia is one of the world's most vulnerable countries to the effects of global climate change. This vulnerability poses a major threat to the impressive gains in social and economic development achieved by Cambodia in the two decades since the end of armed conflict. Climate change vulnerability particularly affects the smallholder farmers who make up the majority of Cambodia's population, a high proportion of whom have only recently achieved living standards above the national poverty line and who remain vulnerable to falling back into poverty as a result of climate or economic shocks.<sup>2</sup></p> <p>The RGC's Cambodia Climate Change Strategic Plan (CCCSP) reports that average surface temperatures have increased by 0.8°C since 1960. Temperatures are expected to continue to rise. The impact on volume and distribution of rainfall is sensitive to the emissions scenario and is likely to vary between different parts of the country, but it can confidently be predicted that rainfall will become increasingly severe and erratic. Most predictions are for longer, hotter, drier dry seasons and</p>

<sup>2</sup> ibid

	<p>shorter, more intense wet seasons. Coastal areas and (potentially) the Mekong River system will be affected by rising sea levels.</p> <p>Despite increasing urbanisation, some 80% of the population remains rural,<sup>3</sup> and about 67% of the workforce engages in agriculture. Most farmers are smallholders with less than 2 hectares of land.<sup>4</sup> Rice is the staple crop, accounting for 79%<sup>5</sup> of all crops by area. Irrigation systems are under-developed so most farmers rely on seasonal rains. While many small farmers grow rice primarily for subsistence, the country as a whole produces a significant surplus, estimated at 3-4 million tonnes of paddy. The RGC sees agriculture commercialisation and adding value through agriculture processing as vital for its strategy for diversifying the economy.</p> <p>Farmers and local communities report that the climate is less predictable than formerly. Without adequate irrigation, farmers delay planting for fear of losing crops to droughts early in the wet season, but then are more vulnerable to flooding late in the wet season and lose the opportunity to plant a second crop. Rice yields decline by 10% for each 1°C increase in minimum night temperatures during the growing period.<sup>6</sup> Increased rainfall and flooding also has important health implications, particularly for malaria, dengue, and other parasitic diseases.</p> <p>Impacts of climate change foreseen by the CCCSP include:</p> <ul style="list-style-type: none"> <li>• Impacts on production of key crops, including rubber and rice, from changing rainfall patterns;</li> <li>• Inundation, storm vulnerability and saline intrusion in low-lying coastal areas;</li> <li>• Impact on agriculture production from increased incidence of droughts, exacerbated by the under-development of irrigation in Cambodia; and</li> <li>• Increased hazard to human life and economic losses from natural disasters, including floods and droughts.</li> </ul> <p>Investment in rural infrastructure is a major factor driving inclusive economic growth and poverty reduction<sup>7</sup>, but costs are increasing due to the need to climate-proof infrastructure against erosion and flood damage.</p> <p>Cambodia's local governments have a general mandate to promote development as well taking on an increasing share of responsibility for local infrastructure and services. Therefore, costs of local climate change adaptation will increasingly fall on these local governments which are recently established and lack resources. Rural local governments are largely dependent on transfers from the national budget and, therefore, face a severe lack of resources with which to meet the challenge of climate change. The PBCRG mechanism is designed to assist the LGs to overcome this funding gap.</p>
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<sup>3</sup> CIA. (2016). The World Factbook: Cambodia. Central Intelligence Agency. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/cb.html>

<sup>4</sup> Food and Agriculture Policy Decision Analysis (FAPDA). (2014). Country Fact Sheet on Food and Agriculture Policy Trends, April 2014 - Cambodia. Food and Agriculture Organization of the United Nations. Retrieved from <http://www.fao.org/docrep/field/009/i3761e/i3761e.pdf>

<sup>5</sup> National Climate Change Committee. (2013). Cambodia Climate Change Strategic Plan 2014-2023. Royal Government of Cambodia. Retrieved from <http://www.moe.gov.kh/userfiles/image/download/1445160472781.pdf>

<sup>6</sup> Peng, S., J. Huang, J. E. Sheehy, R.C. Laza, R.M. Visperas, X. Zhong, G.S. Centeno, G.S. Khush, K.G. Cassman. (2004). Rice yields decline with higher night temperatures from global warming. *Proceedings of the National Academy of Sciences of the United States of America*, 101(27): 9971-9975.

<sup>7</sup> Supra Note 7.

<p>D.5. Country ownership <i>[Beneficiary country ownership of project or programme and capacity to implement the proposed activities]</i></p>	<p><b>Country ownership</b> of LGCC is demonstrated by (1) its alignment with the priorities of the RGC, (2) implementation through institutions of national and local government (there is no separate project administrative structure); (3) use of national systems for implementation and ensuring accountability, (4) vesting of decision making responsibilities in local bodies and participation of stakeholders at all levels.</p> <p>The overarching <b>policy priorities</b> of the RGC are expressed through its Rectangular Strategy and the National Strategic Development Plan (NSDP) 2014-18. Under the NSDP, LGCC is fully integrated with the RGC’s National Programme for Sub-National Democratic Development (NP-SNDD). LGCC is fully aligned with the Cambodia Climate Change Strategic Plan and implements climate change adaptation actions under the CCCSP at sub-national level. Design of LGCC has been carried out through discussion and cooperation with the National Council for Sustainable Development and the Climate Change Department of the Ministry of Environment.</p> <p>The key <b>executing agencies</b> for activities under the programme are:</p> <ul style="list-style-type: none"> <li>• <b>National Committee for Sub-National Democratic Development Secretariat (NCDD-S)</b> is the programme executing agency. NCDD-S is responsible for implementation of the NP-SNDD and development of policy, regulatory and financing frameworks for local governments. development and learning and knowledge management components;</li> <li>• <b>Participating local governments (as grantees)</b> will be rural District Councils and their administrations, together with the lower tier Commune Councils. Districts have an average population of around 75,000 while Communes have average population around 9,000. District level local governments comprise a Council, a Board of Governors and local administrative offices. District local governments cooperate with technical offices of line Ministries through a Technical Facilitation Committee. Commune Councils consist of elected Councillors supported by a single clerk who is a member of the District staff. In LGCC.</li> </ul> <p><b>Decision-making</b> has two key levels: the Grants Award Committee at national level and the District Council at local government (grantee) level. These are fully described in Section E below.</p> <p><b>Use of national systems:</b> Local governments identify priority climate adaptive investments through mainstreaming of CCA in their regular development planning and budgeting systems, while PBCRG are channeled through the National Treasury and executed and reported as part of the budget resources of the local governments. “Project specific” systems are kept to the minimum necessary and will be further reduced as the PBCRG are aligned with a general framework for conditional grants under development by NCDD-S and MEF.</p> <p><b>Stakeholder Engagement</b> in planning and implementation of activities takes place at all levels including the participation of beneficiary women and men in Vulnerability Reduction Analysis and in participatory evaluations of investments.</p>
<p>D.6. Effectiveness and efficiency <i>[Economic and financial soundness and effectiveness of the proposed activities]</i></p>	<p><b>Co-financing ratio:</b> PBCRG are used to offset the incremental costs of climate change adaptation by topping up the general investment resources of local governments. Different types of investments are subject to different co-financing rules, currently 33% financing (as a proxy for climate proofing costs) for infrastructure investments and 100% for non-infrastructure projects (climate-adaptive services). Taking into account these variations and the mix of investment types the overall co-financing ratio at local level is expected to be approximately 50%.</p> <p><b>Cost-efficiency and effectiveness:</b> LGCC takes advantage of the proven advantages in efficiency and effectiveness that local governments (LG) enjoy for delivery of local services and infrastructure. These advantages arise from (1) local knowledge, local accountability and responsiveness to local needs identified through participatory development planning processes; (2) effectiveness of local delivery systems, where LGs have a strong incentive to use resources effectively and overhead costs are reduced through use of locally based contractors; (3) the</p>

effectiveness of incentive systems, such as those built into PBCRG, in delivering improvements to the quality of the decision making process and public financial management in the implementation of decisions; and (4) avoiding project administration overheads by channeling funds directly into LG budgets and making use of core LG human resources, facilities and systems for delivery.

### E: Approval Process, Selection Criteria Of Activities and Decision Making Body

In the PBCRG model, there are two key levels of decision making: first on the award of grants; and second, on the use of those grants by the grantees (sub-national governments) to co-finance investments to build climate resilient local communities. At both levels, the decision-making authority is separated from the technical functions.

**At national level,** a Grant Award Committee will exercise approval authority over selection of target Districts, the grant allocation formula and the list of eligible expenditures of the grants. Membership of the committee is described below.

**Selection of Target Districts:** Local governments will be selected for PBCRG funding with priority to the most vulnerable areas based on a climate vulnerability index developed by Ministry of Environment, subject to (1) compliance with minimum access conditions and (2) absence of any closely equivalent climate change adaptation funding. The intention is to reach approximately 50% of local governments nationwide. This will be achieved through a combination of GCF finance and other resources including funds already mobilised from IFAD and UNDP/GEF.

**Grant Allocation formula:** PBCRG allocations are composed of (1) a base amount proportionate to the general budget fiscal transfer, which is itself formula-based taking into account population size and poverty level; and (2) a performance-based amount determined by success in demonstrating improved capacity and performance for climate change adaptation.

**Eligible Investments co-financed by PBCRG** include (1) investments in local infrastructure and services to build climate resilient communities (e.g. improved water management infrastructure, trainings in climate resilient agriculture techniques etc); and (2) climate-proofing of general local infrastructure (e.g. farm roads). The PBCRG grants manual will include a positive list of eligible investments as well as a negative list including private goods, administrative facilities, security related items etc. All investments must respond to locally identified CCA priorities and must demonstrate support to climate-vulnerable communities, social groups or locations.

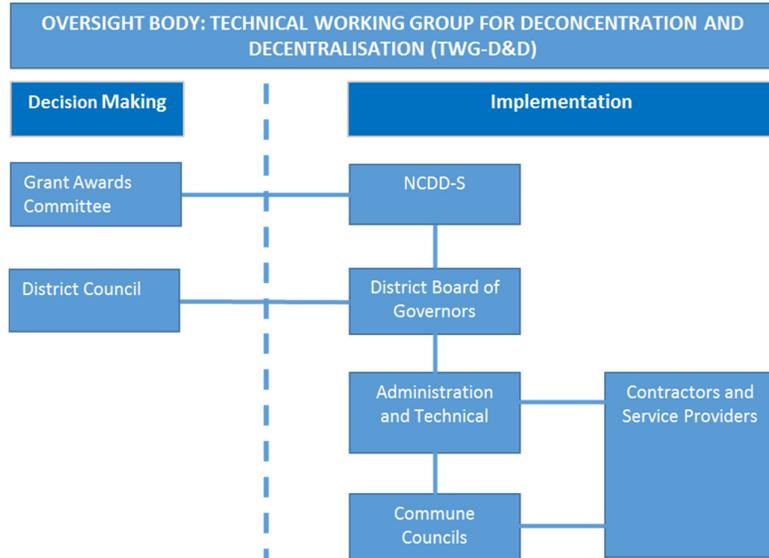
**At sub-national level,** the decision-making body is the District Council. Work plans and budgets for use of the grants are prepared through the local development planning process and includes both a bottom-up, participatory process known as Vulnerability Reduction Assessment, and the progressive introduction of use of historic meteorological data and science-based climate change scenarios. District level technical officials and Commune (sub-District) authorities participate in identifying the highest priority climate adaptive investments. Implementation responsibilities may be assigned either to the District administration or to selected Commune administrations. The work plan is then submitted for review and approval by the District Council.

#### DECISION-MAKING BODY:

**At national level, a Grant Award Committee** will be constituted to oversee and approve the award of PBCRG Grants. The Grant Award Committee will include representatives of Ministry of Environment and Ministry of Interior together with the Local Government Association and independent civil society representatives as well as NCDD-S senior management.

**At District level,** the key decision making body for selection of activities to be financed by the PBCRG is the District Council in line with its responsibility for the District Development Plan and District Budget. District Councils are indirectly elected by the Commune Councillors in the District, who are themselves directly elected by the local population. The District Administration is headed by a separate Board of Governors who are appointed. Therefore, the role of the District Council is to provide oversight and accountability for the implementation responsibilities of the Administration.

Civil society organisations and the private sector participate in planning forums to prepare and review local development plans, including work plans for the PBCRG resources, before these plans are submitted to the District Council for approval.



GOVERNANCE STRUCTURE OF PROPOSED PERFORMANCE BASED CLIMATE RESILIENCE GRANTS PROGRAMME

## F: Disclosure Requirements

NCDD-S undertakes to disclose information on the implementation of the Programme in line with its existing policies and practices and with the requirements of the GCF's Comprehensive Information Disclosure Policy of the Fund (GCF/B.12/24). Types of information to be disclosed will include *inter alia* (1) annual work plans and budgets; (2) Grant awards (PBCRG allocations); (3) environmental assessments; (4) activities financed by PBCRG; (5) procurement processes and outcomes; and (6) monitoring and evaluation reports. The primary means of disclosure will be the NCDD website [www.ncdd.gov.kh](http://www.ncdd.gov.kh). This may be supplemented by published announcements in newspapers (e.g. of contract awards) where necessary.

## G: Oversight Function

The governance structure for LGCC will follow the precedent of other NCDD-S facilities and, in particular, the IP3 basket fund which finances implementation of the NP-SNDD. That is:

- a. The Executive Deputy Head of NCDD-S will act as Programme Director with overall responsibility for implementation of the Project and proper use of GCF and other funds;; and
- b. The Technical Working Group for Deconcentration and Decentralisation (TWG-D&D) will perform an oversight function.

Implementation progress will be reported regularly to the TWG-D&D which will also act as a forum for discussion of any policy issues arising from implementation. The membership of the TWG-D&D will consist of:

- a. The Executive Head of NCDD-S and Secretary of State, Ministry of Interior as Chair;
- b. Representatives of all Ministries participating in the NP-SNDD, which includes MoE and MEF;
- c. Representative of the Cambodian Local Government Association;
- d. Representatives of development partners; and
- e. Representatives of civil society organisations.

In addition, the National Committee for Sustainable Development (NCSD) will be kept informed of the progress of the programme and members of the NCSD will be invited to join periodic field visits to view activities financed by the Programme. Cooperation with NCSD will be organized through its Secretariat in the Department of Climate Change of Ministry of Environment.

## H. Multi-Stakeholder Engagement

LGCC will take an open and inclusive approach to implementation, knowledge sharing, and policy and programme development. To this end, information will be shared openly and a broad range of stakeholders will be engaged in dialogue.

The key stakeholder groups are recognised as: (1) national government entities; (2) local governments; (3) development partners; (4) civil society organisations; (5) the private sector; (6) community members and beneficiaries of the Project investments who are Cambodian rural dwellers (women and men, whose interests are represented separately where appropriate) including poor and vulnerable households; as well as (7) the international learning community of the LoCAL programme facilitating south-south dialogue and cooperation to meet CCA challenges at the local level.

Information on LGCC implementation, results achieved, and knowledge products will be shared through the Internet, including on the LoCAL webpage, <http://www.local-uncdf.org>.

LGCC will engage with national forums for multi-stakeholder dialogue on CCA and decentralisation, including an informal development partner coordinating group that meets regularly on this issue.

LGCC will organise regular events for dialogue and discussion of the Project strategy, progress, and results, including national and regional reflection workshops. Stakeholders including national and local government, development partners, civil society, the private sector, and community representatives will be invited to participate in these events.

LGCC will also organise stakeholder dialogue events to discuss specific issues and, in particular, to discuss and validate the findings of the Climate Adaptive Cost Benefit Analysis Studies which will be important knowledge outputs of the Project.

LGCC will also support representation and sharing of knowledge and lessons learned through participation in relevant workshops, conferences, etc.

Through the international LoCAL network, LGCC will share knowledge and lessons learned with stakeholders from comparable countries (least developed and lower-middle income countries promoting CCA through local governments) internationally.

**Beneficiary participation:** Community members will participate actively in planning, implementation, and M&E of Project activities.

Community members include poor and vulnerable women and men living in rural areas which are pre-identified as having high climate vulnerability based on the MoE's Climate Vulnerability Index, which is derived from socioeconomic as well as climate risk factors. Community members will participate in VRA which is now a mandated element of the local development planning system. District Climate Change Adaptation Strategies (DCCAS) are based on VRA results together with climate data analysis and science-based climate change scenarios.

Community members also participate in preparation of the Commune Development Plans and Investment Programmes (CDP / CIP); the DCCAS will be incorporated into these broader planning processes and documents. Participation includes village priority-setting meetings and participation of village representatives in Commune Planning and Budgeting Committees. The CDP/CIP is integrated into the District Development Plan and District Investment Programme (DDP/DIP).

Commune representatives participate in the planning and investment selection meetings of the District Technical Facilitation Committee.

Community members are actively involved in investment preparation and implementation, following the guidelines of the Commune/Sangkat<sup>8</sup> Fund Project Implementation Manual, which requires the creation of a Project Management Committee for each investment. The Project Management Committee roles include participation in design, monitoring of construction and in operation and maintenance arrangements.

A participatory evaluation exercise will be conducted each year with community members in each District as part of the annual Performance Assessment. The participatory evaluations will be conducted by the beneficiaries of selected investments and will focus on beneficiaries' perceptions of the appropriateness of design, the quality of implementation and the expected (baseline and climate-adaptive) benefits of the investment, as well as the contribution of the investment process to raising climate change awareness. Views of female and male beneficiaries

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<sup>8</sup> A Commune is a rural sub-district. A Sangkat is its urban equivalent. However, some Sangkats have mainly rural characteristics (and vice-versa) and practical differences between the two types of lowest-tier local government are few. The C/S Fund is a general fiscal transfer to finance the budgets of these entities.

will be sought and different gender perspectives will be included in the findings. The community members will present the findings of their participatory evaluation in the regional reflection workshops.

### I. Timeframe

**Timeline:** the proposed timeframe for the programme is five years beginning (provisionally) in early 2017. There would be four annual rounds of PBCRG allocations which would increase in scale during the first two years of the programme. The annual grant cycle is tied to the planning and budgetary year (January to December).

Year	2018	2019	2020	2021
# Districts	20	60	60	60
PBCRG funds	\$1,000,000	\$3,000,000	\$3,000,000	\$3,000,000

### J. Financing / Cost Information

#### J.1. Description of financial elements of the project / programme

The total cost of scaling up the PBCRG programme to approximately 50% of all rural Districts over a five year period is estimated as US\$45 million. It is proposed to finance this amount through the following contributions:

- GCF financing of LGCC: US\$ 14 million
- LGCC financing mobilised by UNCDF: US\$ 1 million
- PBCRG financed by other donors (IFAD, UNDP/GEF): US\$ 10 million (already committed through IFAD-ASPIRE and UNDP/GEF Sustainable Rural Livelihoods)
- Co-financing by local governments from general budget resources: US\$ 20 million.

The local government contributions will be in the form of the base costs of climate change adaptive infrastructure investments. This amount would be financed mainly from the general fiscal transfers from the national budget to the local governments, known as the District / Municipal Fund and the Commune/Sangkat Fund.

Of the GCF financing, ten million dollars (US\$ 10 million) will be disbursed to local governments in the form of PBCRG. Including the costs of annual Performance Assessments, Component 1 costs US\$ 10.26 million, or 74% of the total. This amount will be financed from the GCF contribution.

Expenditures on capacity development would total US\$ 2.85 million (21% of the total), financed from the GCF contribution. This includes the costs of training and technical support based at Provincial level (or possibly regional level, to serve more than one Province).

Expenditures on policy and programme development would total US\$ 0.45 million, mainly in the form of UNCDF technical assistance and events. These costs will be financed from funds mobilised by UNCDF.

Expenditures on learning, knowledge management, and cooperation would total US\$ 0.10 million and would support the costs of participation in the LoCAL knowledge and cooperation community. These costs will be financed from funds mobilized by UNCDF.

NCDD-S Management costs will total US\$ 0.69 million including coordination, project M&E and operational costs of NCDD-S. This will be funded from the GCF contribution (5% of the total contribution).

In addition, UNCDF will mobilise funds to support approximately US\$ 0.54 million in management costs which will include technical support from the LoCAL Secretariat and the costs of conducting the Climate Adaptive Cost Benefit Analysis studies.

A summary programme budget is presented in the table below (costs in USD 1,000's).

Component	2017	2018	2019	2020	2021	2022	Total	Source
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	Performance Based Climate Resilience Grants (LGCC)	-	1,000	3,000	3,000	3,000	-	10,000	GCF
	Performance Based Climate Resilience Grants (other)	2,000	2,000	2,000	2,000	2,000		10,000	
	Co-financing by Local Governments	2,000	3,000	5,000	5,000	5,000	-	20,000	LG
	Total Investments	4,000	6,000	10,000	10,000	10,000	-	40,000	
	Performance Assessments	20	60	60	60	60		260	GCF
	Capacity Development	137	402	610	610	610	485	2,854	GCF
	Policy and Programme Development	18	71	96	96	96	71	448	UNCDF
	Learning, Knowledge Sharing and Cooperation	-	20	20	20	20	20	\$100	UNCDF
	Management Costs (NCDD-S)	146.5	98	148	98	98	101.5	690	GCF
	Management Costs (UNCDF)	30	140	140	140	60	30	\$540	UNCDF
	<b>Total</b>	<b>4,352</b>	<b>6,791</b>	<b>11,074</b>	<b>11,024</b>	<b>10,944</b>	<b>708</b>	<b>44,892</b>	
	<i>Total GCF Funding Request</i>	<i>303.50</i>	<i>1,560</i>	<i>3,818</i>	<i>3,768</i>	<i>3,768</i>	<i>586.50</i>	<i>13,804</i>	
J.2. Project financing information (Financial Instrument)	<p>GCF funds will be used to finance grants to sub-national governments (District and Commune Councils) plus capacity development and programme administration costs of NCDD-S.</p> <p><u>Justification For Use Of Grant Finance</u></p> <p>Local governments are not permitted to borrow so other types of financial instrument are not possible.</p> <p>Rural local governments have very limited own-source revenues and mainly depend on fiscal transfers from national government in the form of discretionary and earmarked grants. Own source revenues will be assigned as part of the ongoing decentralisation programme.</p> <p>As a matter of design, the PBCRG are not so large as to dominate or crowd out other sources of local government finance (the basic grant size is set as a proportion of the general fiscal transfer). In the long term, sustainability can be achieved by replacing part or all of the earmarked climate change finance with funding from own-source revenues.</p>								

Three categories of risk are recognised:

**Implementation risk:** failures or unforeseen circumstances lead to the Project failing to deliver the intended outputs, or implementation being associated with severe negative consequences such as negative social or environmental impacts, or misuse of Project resources;

**Outcome risk:** the Project delivers its intended outputs but this does not result in the expected outcomes, either because of the failure of assumptions implicitly built into the project design, or because of unforeseen circumstances; and

**Strategy / Policy Risk:** the Project outcomes are achieved but the Project Objective is not substantially achieved, because of the failure of assumptions built into the Project design or because of unforeseen circumstances or because of changes in policy which reduce the relevance of the Project strategy.

The main risks and associated assumptions are detailed in the following table. Risks are a function of hazard (potential negative consequences if the risk event occurs) and the likelihood that the risk event will occur (high, medium or low). High: could cause failure of the Project; Medium: could seriously reduce the impact of the Project but will not in itself cause failure; or Low: consequences are localised and / or short term and not expected to have a major impact on the overall results of the Pproject.

Risk	Project Assumptions	Type	Risk Level (H/M/L)	Mitigation Measures
Planning risk: PBCRG funds allocated to projects with limited CCA benefits	Planning process results in PBCRG funds allocated to highest-value CCA investments	Implementation	M	Capacity development for CCA Planning.  Check compliance with MCs  Performance Incentives reward good CCA planning
Technical risk: quality of implementation too poor for investments to achieve the intended benefits	LG have (or can mobilise) adequate technical capacity to implement the investments and achieve the intended benefits	Implementation	M	Technical Training  Backstopping from NCDD-S Provincial Infrastructure Advisers  Districts will hire private sector Technical Support Consultants
Fiduciary risk: abuse of procurement and / or weak financial management results in serious leakage of funds	Existing LG budget execution systems provide acceptable fiduciary assurance (based on experience with LGCC and C/S Fund)	Implementation	L	Fiduciary monitoring  Performance incentives reward good process
Environmental risk: investments have severe negative environmental impacts	Existing safeguards are adequate (EIA procedures tried and tested)	Implementation	L	Monitor compliance with EIA procedures and include in Performance Assessment  Investments with potentially significant impact (Category A) will not be funded.

Social risk: investments result in social conflict and / or exclude or negatively affect the poorest or most vulnerable member of community	Existing safeguards are adequate (land acquisition safeguards in C/S Fund procedures are tried and tested)  VRA process ensures selection of projects which benefit vulnerable populations	Implementation	L	Provincial monitoring and intervention in case of need  Performance Assessment
Capacity development activities do not result in sustainable increase in capacity	Capacity constraints of LG are such as can be addressed through CB efforts, and there is a stable human resource base on which to build	Outcome	M	Capacity of LGs monitored through Annual Performance Assessments and appropriate capacity building measures designed. NP-SNDD is designed to build the overall capacity of LGs
Project does not result in any substantive change in policy to favour LG role in CCA	Policy leadership on CCA issues and D&D are receptive to demonstration of effective LG role in CCA	Policy	M	Close engagement with MoE and MEF to build policy consensus
Change in policy environment (e.g., D&D policy undermines effectiveness of the Project approach).	RGC continues with broad direction of D&D policy so LGs and associated systems are stable.	Policy	L	Integration with D&D policy through the NP-SNDD (D&D policy has remained stable over time).

## L. Monitoring and Evaluation

Progress to the **Programme Goal** (reduced vulnerability) is based on the Climate Vulnerability Index developed for MoE. Use of this indicator links the Programme to the M&E framework of the CCCSP (i.e, Vulnerability Index scores in the most vulnerable Districts have stabilised or improved).

The achievement of the **Project Objective** (local governments enabled to plan, finance and implement CCA) will be based on the GCF Core Indicator for mainstreaming CCA in planning and will be measured through a modified CCA mainstreaming index based on a sector methodology developed by MoE. Three sub-indicators will be measured: (1) the % of local governments mainstreaming CCA in planning and investment; (2) the degree of integration/mainstreaming of climate change (a GCF core indicator which will be measured by a Mainstreaming Index) and (3) the % of investment budgets aligned with CCA priorities.

There will be three key components to M&E of implementation progress: (1) field monitoring; (2) data collection and analysis and (3) annual performance assessments.

**Field monitoring** will be conducted on a regular basis by NCDD-S and by NCDD-S staff based at Provincial level within the structure of the IP-3 programme. Thus, the monitoring and reporting systems of IP-3 provide a ready-made means for NCDD-S management to remain fully informed of progress and issues arising.

**Data collection and analysis** will make use of an existing web-based management information system known as the Project Information Database (PID) which records:

- (a) Type of investment;
- (b) Technical details and location of investment outputs;

- (c) Number and location (village of residence) of beneficiaries, disaggregated by gender;
- (d) Cost of investment;
- (e) Procurement process;
- (f) Implementation progress.

Additional details including the type of climate-adaptive benefits expected from each investment will be submitted to NCDD-S as part of the annual screening process and will be systematically recorded.

NCDD-S will maintain a simple monitoring spreadsheet to quantify other programme outputs including, *inter alia*, number and type of trainings conducted; policy and programme milestones achieved; documentary outputs; and participation in forums for dialogue including LoCAL events.

**Performance Assessments** of each participating District will be conducted at baseline and annually by independent evaluators. The Performance Assessment score is used to determine the performance-based component of the grant award but is also used to measure capacity developed and identify outstanding weaknesses.

The **Performance Assessment system** is based on the Balanced Business Scorecard model and measures performance in four areas: Quality of PBCRG projects; Quality of Implementation Process; Beneficiaries; and Capacity Developed.

Quality of PBCRG projects is measured in terms of responsiveness to local CCA priorities, technical quality and sustainability. Quality of process is measured in terms of timeliness of project preparation, procurement quality, commitment and disbursement of funds and timeliness of project completion. Performance in the “Beneficiaries” area is measured in terms of cost-effective support to poor and vulnerable beneficiaries, and the views of the beneficiaries expressed through a participatory evaluation process.

Capacity Developed is measured using a Sub-National Climate Change Mainstreaming Index which is based on a model developed by Ministry of Environment. The index consists of a check-list of achievement in four sub-areas: CC mainstreaming in planning, institutional capacity and coordination, access to and use of climate information and climate change integration into financing.

**Participatory Evaluation:** in addition to the beneficiary participatory evaluations conducted as a component of the performance assessments, participating local governments are encouraged to conduct self-assessments, to review their performance assessment scores and to prepare capacity development plans tailored to ensure improved performance in following years.

**Climate Adaptive Cost-Benefit Analysis Studies.** NCDD-S will commission approximately six cost-benefit analyses that will seek to identify, measure, and (to the extent possible) value the climate-adaptive benefits generated by the programme’s CCA investments. Triangulating the results of the studies together with the programme monitoring data will permit a valid (though approximate) estimate of the size, nature and economic value of the baseline and climate-adaptive benefits achieved by the project investments. This in turn enables the estimation of economic cost-benefit indicators (net present value, internal rate of return and / or benefit / cost ratio).

The Programme will produce an **Annual Report** detailing (a) Implementation progress; (b) Financial progress; (c) physical results; (d) cross-cutting issues; (e) achievement of logframe indicators; (f) estimated cost-benefit analysis of the investments (g) lessons learned; and (h) future work plan. The Annual Report will be approved by the Project Steering Committee and submitted to GCF.

### M. Brief Rationale for GCF Involvement and Exit Strategy

Phase 1 and Phase 2 of LGCC have succeeded in demonstrating the capacity of local governments to take on an important role in planning and implementation of climate change adaptation actions, and that local governments enjoy advantages over national institutions in their ability to understand and respond to climate challenges at the local level. Some replication of the PBCRG has been achieved through cooperation with other donor projects (including IFAD’s ASPIRE programme and the GEF financed Resilient Livelihoods Project of UNDP) but a sustainable rollout within the country requires additional funds.

GCF funding will enable full scale-up of the PBCRG model so that local governments nationwide will have the opportunity to access climate change adaptation finance based on vulnerability and on compliance with minimum access conditions: it supports the “effective operationalization of modalities with the potential to enhance access by sub-national, national and regional public and private entities to the Fund” which is the core objective of the EDA programme

GCF finance together with other fund sources will enable PBCRG funding to reach approximately 50% of rural Districts which is in line with estimates of the extent of severe climate vulnerability in the CCCSP. Thus, availability of GCF funding will enable a transition from a project approach to a fully programmatic approach to sub-national climate

change adaptation finance, with a high potential for sustainability through mobilising funds from additional donors and from government revenues. It will also pilot mobilisation private sector funds for climate change adaptation in partnership with local government.

The implementation of LGCC through GCF co-funding will contribute to a paradigm shift towards climate-resilient development pathways in Cambodia while providing transverse lessons on EDA fields for knowledge improvement i.e: i) country coordination and multi-stakeholder engagement, replication and sustainability, ii) governance standards; iii) targeted readiness support.

**SUSTAINABILITY:** Through implementation of LGCC the systems of sub-national planning and implementation of climate change adaptation, and the specific mandate and responsibilities of local governments for climate change adaptation, will be fully institutionalised in relevant systems and regulations. Local governments will be enabled and encouraged to continue to finance climate change adaptation using their general budget resources. The general fiscal transfers to local government have been expanding at around 15% per year in proportion with tax receipts, and it is planned to create additional, locally collected own source revenues in future. Therefore, there is the potential for general budget resources to replace earmarked CCA funds in the long term. At the same time, further funds to finance the PBCRG system will be mobilised from additional donors, based on the success of the programmatic approach, and from the domestic revenue resources of the RGC.

#### N. Supporting Documents for Concept Note

LoCAL Publication

LGCC Evaluation Report