

CONCEPT NOTE

Building Approaches to fund local Solutions with climate Evidence.

There are substantial inconsistencies in the way humanity is tackling the climate crisis, one of the most significant being that the majority of the traditional funds designed to combat the crisis¹ have reproduced structural socioeconomic inequalities, rarely reaching the places and people most impacted by climate change: local communities in the global South.

Local approaches to climate mitigation and adaptation, led by rural and urban communities in the global South, need to gain traction if we are serious about a just transition. These communities often face challenges arising from poor infrastructure, lack of access to essential services, informal work, and socioeconomic marginalization, making them more vulnerable to climate change and less able to transition to low-emission technologies. At the same time, they are often guardians of traditional knowledge and sources of innovative solutions, both of which are essential elements for effective climate solutions. Unfortunately, however, climate finance is nowhere near effectively reaching these communities. According to the International Institute for Environment and Development (2017), only about 10% (1.5 billion USD) of international, regional, and national climate-related funding was allocated to local-level solutions.

There are many reasons why local organizations have difficulty accessing climate finance. Some are common to the struggle to access other types of development finance, such as lack of institutional capacity, but others are particular to the climate finance landscape, including the technical justification that funders and investors typically require **to prove the climate additionality of their investments.** While challenges related to institutional capacity have been successfully addressed by small grant programs and flexible philanthropy (from which “traditional” climate funds can learn and outsource), the technical challenge of requiring local organizations to provide evidence for their climate impact remains.

Climate finance differs from development finance in that it requires investments to reduce greenhouse gas emissions and/or prepare communities and ecosystems to cope with current and future impacts of climate change. Traditional climate funders and investors measure the effectiveness and additionality of their investments by screening for the **climate rationale** of projects to ensure that they lead to substantial reductions in greenhouse gas emissions, minimize the impacts of climate change, and increase resilience.

While developing a robust climate rationale is often time- and resource-consuming, as reflected by the length of time it takes for a solution to be funded through traditional mechanisms like the Green Climate Fund (GCF), it serves an important purpose. In developing a climate rationale, a funding applicant must **look beyond immediate needs to plan for future scenarios under a changing climate.** They must design activities to ensure a just transition, dealing with emissions reduction pathways as well as the impacts of climate change in a particular geographic territory or sector.

There seems to be a trade-off between implementing scientifically robust climate projects and financing proposals put forth by local communities in a timely manner. However, a deeper look into this apparent dichotomy shows that, in actuality, the problem lies in the **design of grantmaking processes, which burden the applicant with a heavy workload and require that they have the capacity to develop an evidence-based climate rationale.** The complexity of climate change and the limited resources available to local communities has turned the current way of climate grantmaking into a bottleneck.

¹ In this sentence, the term fund refers to those financial structures, often public funded, that have been specifically conceived to address climate change impacts. Examples of these are the Green Climate Fund, the Global Environmental Facility, the Adaptation Fund, among others.

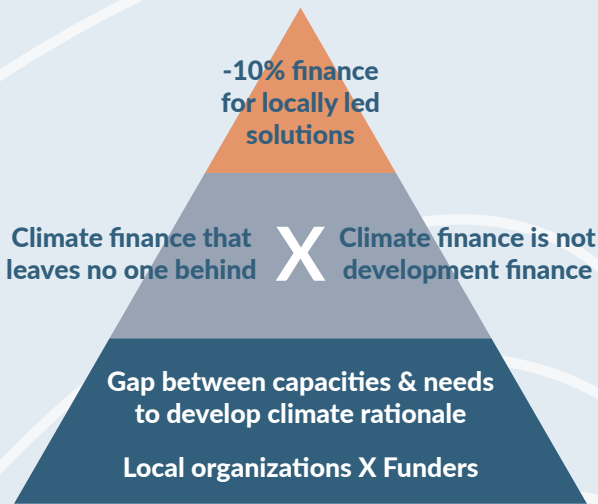


Figure 1. Levels of problem analysis

Proposal – Promote funding of locally-driven climate solutions using approaches that ensure rigorous climate rationale, simplicity, and speed.

Amidst this context, many initiatives have been developed to strengthen the capacities of local stakeholders so that they can expand their access to climate finance for local climate solutions. However, a gap persists when it comes to actually implementing these initiatives.

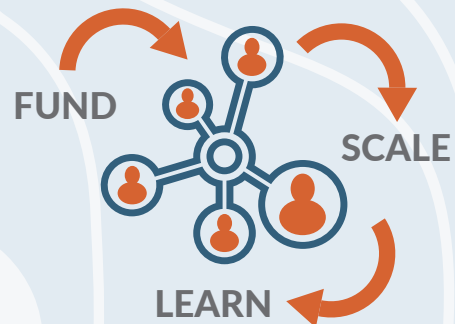
Since 2016, Fundación Avina has been actively engaged in partnerships to achieve the aforementioned capacity-building goals. Our experience as a GCF Accredited Entity and UNFCCC observer organization has helped us to understand that the “climate rationale barrier” is the principal bottleneck prohibiting climate finance from reaching the local level. Building a climate rationale is simultaneously necessary to access climate finance and a significant technical challenge for local organizations and movements.

We believe there is a tremendous opportunity to pragmatically tackle the problem of climate finance at the local level and strengthen local climate solutions by bringing together stakeholders and initiatives working on a just transition. To this end, BASE will assist local organizations in developing a strong climate rationale for their proposals.

Furthermore, BASE seeks to create a proof of concept that could impact the future of climate finance. Our work will generate evidence of climate impact while promoting collective advocacy at national, regional, and global levels for changing climate financing practices for local solutions. In this way, BASE aspires to be a collaborative platform of evidence-based advocacy, not just an extra layer tacked onto existing processes.

BASE will bring together partners and **work collaboratively to promote funding of locally-driven climate solutions using approaches that ensure rigorous climate rationale, simplicity, and speed. It will implement grantmaking schemes that generate evidence of climate impact and promote collective advocacy at national, regional, and global levels for changing climate financing practices for local solutions.**

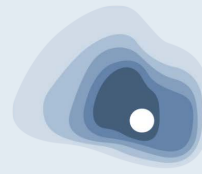
BASE will pursue a threefold strategy:



1) FUND local solutions while proving climate impact

The initiative will employ a variety of grantmaking schemes to fund locally-led climate solutions. The schemes will be designed to **provide evidence of climate impact, while minimizing the cost of putting together a climate rationale.**

BASE will build upon existing work in the field, particularly existing initiatives focused on strengthening organizational capacity for climate action, as we are convinced that this is part of the solution. To this end, rather than start a new mapping process in the field, BASE will connect existing initiatives (partners) and identify a pool of grantees whose underfunded climate solutions have the potential to scale: the BASE Pool of Grantees.



BASE.

Building Approaches to fund local
Solutions with climate Evidence

2) LEARN to generate evidence

BASE will engage in learning to design grantmaking schemes and to assess the process and results of the investments made. It will engage with researchers and local communities to understand how to make funding practices more feasible to implement and effective in ensuring the climate impact of funded solutions. This learning component will be key for generating evidence (case studies, publications, and other tools for sharing information and knowledge) about the benefits and challenges of grantmaking schemes for locally-led climate solutions. It will also inform decisions and advocacy actions that could transform how locally-led climate solutions are financed and scaled.

3) Advocacy for scale

BASE will engage with public and private finance mechanisms to share lessons learned and evidence that could support changes to climate financing practices for local communities, as well as explore concrete strategies to scale the funded solutions through access to traditional finance. It will also engage with national governments to ensure alignment with national policies and plans and inform their positions in international negotiations.

Action Plan

The following actions will be undertaken by BASE partners:

1. Build the **BASE Pool of Grantees, i.e.** local organizations and climate solutions. The pool will be drawn from existing initiatives working on capacity-building and mapping of locally-led climate solutions.
2. **Hold workshops and learning opportunities** that offer insight into ways of making climate finance accessible and effective at the local level.
3. **Design and implement grantmaking schemes (3 tracks)**, characterized by simplicity and agility while ensuring climate impact, that invest funds in organizations/solutions selected from the Pool of Grantees.

4. **Evaluate the process and results** of the investments made using each of the grantmaking schemes.

5. **Systematize the results and lessons learned** through scientific papers and communications materials.

6. **Engage with national governments and traditional finance institutions** to share lessons learned and evidence that could support changes in climate financing practices to reach local communities. In this way, we aim to **scale changes in climate grantmaking practices**.

7. Explore concrete strategies to **scale the funded solutions** through access to traditional finance.

Scope

Climate solutions led by organizations in countries of the global South that are dedicated to promoting local development and climate mitigation and adaptation.

Types of solutions

Climate solutions that are designed/led/proposed by local communities and that have been endorsed by the scientific/technical community and traditional knowledge for their potential impact on climate adaptation and/or mitigation.

Scale of projects

Between 200K-450K USD.

Initial scale

Minimum 3M USD for grantmaking.

Approximately 60% of funds would be directed to grantmaking and 40% for learning, scaling, and operations.

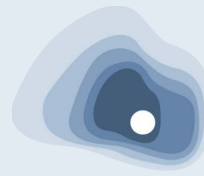
Governance & Structure

a) Assembly

Made up of all BASE partners. Encompasses advisory roles and decision-making power over the initiative's strategic direction.

b) Steering committee

Responsible for the strategic guidance of operations,



BASE.

Building Approaches to fund local
Solutions with climate Evidence

including grantmaking tracks and advocacy targets. Representatives will be selected by the Assembly on a biannual basis.

c) Secretariat

An office that will be initially held by Fundación Avina, the Secretariat will manage operations and budget.

d) Working Groups

Ad-hoc spaces where BASE partners and Associated Initiatives will meet to work on specific agenda topics to move the strategy forward.

Next steps

During the incubation period, from present until grantmaking begins, the Secretariat will develop the strategic definitions and key guidelines for operations, as well as establish key partnerships and form the Assembly of partners.

Partners will collaborate in deploying or mobilizing funds for implementing BASE.

BASE is expected to be officially launched at COP27.

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