Abstract

Localisation has become a major concern across the development and humanitarian sectors. It is driving donor efforts to increase direct access for local actors to donor resources, as well as promoting local leadership and knowledge in donor-funded programming.

Despite widespread enthusiasm for more locally led ways of working, progress has been slow and significant barriers remain. This paper examines the barriers bilateral donors face in their efforts to promote locally led practices in climate adaptation, where specific commitments have been made to the Principles for Locally Led Adaptation. We examine initiatives in Uganda, drawing on interviews with three bilateral donors (the US, UK and Sweden) and Ugandan stakeholders (government, civil society, academia).

We find that donors face five central barriers: risk aversion, administrative challenges, dual accountabilities, divergent values and power asymmetries. These barriers interact with the specific political and socioeconomic context of Uganda to determine how and how far donors are able to achieve their localisation goals.

To overcome these barriers and ensure localisation commitments can be realised in global climate adaptation efforts, we offer five general recommendations for donors, local and international partners, and climate advocates. These are: 1) strengthen donor capacities and shift mindsets; 2) enhance access to quality finance; 3) create space for local agency and decision-making; 4) track localisation progress in climate goals and instruments; 5) and reconceptualise local actor ‘capacity’.
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Display items

Boxes

Box 1 Principles for Locally Led Adaptation (2022) / 5
Box 2 Direct access modalities in multilateral climate funds / 10
Box 3 Climate finance initiatives with locally led ambitions in Uganda / 15
Box 4 Decentralisation in Uganda / 17
Box 5 Tensions and divergent values / 21

Figures

Figure 1 Donor barriers to locally led adaptation / 7
Figure 2 Uganda’s climate finance and policy coordination structure / 14
Figure 3 Climate finance by provider and level of concessionality, average 2019–2021 / 27
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AF</td>
<td>Adaptation Fund</td>
</tr>
<tr>
<td>CCD</td>
<td>Climate Change Department (Uganda)</td>
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<td>CFU</td>
<td>Climate Finance Unit (Uganda)</td>
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<td>CKDN</td>
<td>Climate &amp; Knowledge Development Network</td>
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<td>COP</td>
<td>Conference of the Parties</td>
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<td>COP26</td>
<td>26th UN Climate Change Conference of the Parties</td>
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<tr>
<td>CSO</td>
<td>civil society organisation</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>G20</td>
<td>Group of Twenty (major economies)</td>
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<td>GCA</td>
<td>Global Center on Adaptation</td>
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<td>Green Climate Fund</td>
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<td>Green Environment Facility</td>
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<td>Government of Uganda</td>
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<td>GPEDC</td>
<td>Global Partnership for Effective Development Cooperation</td>
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<td>IDC</td>
<td>International Development Committee</td>
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<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<td>IASC</td>
<td>Inter-Agency Standing Committee</td>
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<td>INGO</td>
<td>international non-governmental organisation</td>
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<td>least developed country</td>
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<td>LIFE-AR</td>
<td>LDC Initiative for Effective Adaptation and Resilience</td>
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<td>LLA</td>
<td>Locally Led Adaptation (Principles) / locally led adaptation</td>
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<tr>
<td>LoCAL</td>
<td>Local Climate Adaptive Living Facility</td>
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<td>MDB</td>
<td>multilateral development bank</td>
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<td>MEMD</td>
<td>Ministry of Energy and Mineral Development (Uganda)</td>
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<td>MAAIF</td>
<td>Ministry of Agriculture, Animal Industry, and Fisheries (Uganda)</td>
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<td>MoFPED</td>
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<td>MoWE</td>
<td>Ministry of Water and Environment (Uganda)</td>
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<td>NCQG</td>
<td>New Collective Quantified Goal</td>
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<td>Nationally Determined Contribution</td>
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<td>Third National Development Plan</td>
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<td>NRM</td>
<td>National Resistance Movement (Uganda)</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PDM</td>
<td>Parish Development Model</td>
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<td>Project Implementation Unit</td>
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<td>Peace Recovery and Development Programme</td>
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<td>Special Purpose Vehicle</td>
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<td>UNMA</td>
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<td>United States Agency for International Development</td>
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Executive summary

Analysing the barriers and challenges to localisation sheds light on the progress donors could make as enablers of locally led practice in development. This piece examines five barriers – risk aversion, administrative constraints, dual accountabilities, divergent values and power asymmetries – affecting donor efforts to localise climate adaptation projects. It does this by situating these barriers in the local political and socioeconomic context of Uganda.

From this analysis, five recommendations emerge, targeting one or more of donors, climate advocates, and local and international partners.

1. **Strengthen donor capacities and shift mindsets**: Enable donor support for local actors most affected by climate change and implement more lasting local solutions.

2. **Enhance access to quality finance**: Modify the ways climate finance is disbursed by fostering local intermediaries, providing flexible and patient financial support, and enabling direct access to funding.

3. **Create space for local agency and decision-making**: In cases where direct or indirect funding to local actors is not feasible, and funding flows via other modalities, create or use mechanisms to enable local decision-making over the use of funds.

4. **Track localisation progress in climate goals and instruments**: Incorporate commitments to localise adaptation finance, including quantitative and qualitative subgoals through both multilateral and bilateral modalities.

5. **Reconceptualise local actor ‘capacity’**: Recognise that local capacity encompasses much more than donor financial management and extends to broader systems in society.
1 Introduction

Localisation has become a central agenda across the development and humanitarian sectors, driving donor efforts to increase direct funding for local actors, enable local leadership and elevate local knowledge in donor-funded programming. This is evident in several commitments, including the Grand Bargain commitment that 25% of humanitarian funding go as directly as possible to local responders’ and a joint donor statement in support for locally led development, announced at the 2022 Effective Development Cooperation Summit. Underlining this renewed interest in localisation by Development Assistance Committee (DAC) members, in June 2023 the DAC launched a peer learning exercise on the policies, approaches and practices of locally led development cooperation (OECD, 2023a).

Momentum for reconfiguring official donors towards locally led practice is especially strong in the field of climate adaptation finance. This is because the impacts of climate change will vary according to the social, ecological and economic context, with the most vulnerable disproportionately affected. Bringing administrative, fiscal, political and decision-making functions closer to those most affected by climate change is expected to increase impact and sustainability (Omari-Motsumi et al., 2019; Watson, 2023; Mfitumukiza et al., 2020). In line with Article 7 of the Paris Agreement, the success of climate adaptation is driven by effective responses to local contexts, populations and priorities (GCA and CKDN, 2023; Patel et al., 2020).

Despite significant commitment to more locally led development practices, progress has been slow, both in the volume of resources reaching local actors and in efforts to promote local decision-making and knowledge (Baguios et al., 2021; Soanes et al., 2017). This paper explores donor-circumscribed barriers to localising climate adaptation finance. We do this by analysing how donor systems and processes engage with in-country sociopolitical dynamics, drawing on examples from the bilateral donor experience with climate adaptation activities in Uganda. Uganda is both highly vulnerable to the impacts of climate change and has low readiness to tackle them (Notre Dame Gain Adaptation Initiative, n.d.). Our objective is to identify ways to overcome the donor barriers to localising climate adaptation finance and increase the speed with which localisation efforts take root.

Three main questions animate this work. The first asks: What are the donor barriers and challenges affecting the localisation of climate adaptation finance? Localisation involves shifting resources and agency to local actors, and respecting their ways of being, in ways that enable locally led development. Section 2 sets the scene by connecting this understanding of localisation with the Principles for Locally Led Adaptation (LLA). Section 3 analyses the donor barriers that challenge the full realisation of localisation ambitions for climate adaptation.

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1 See https://interagencystandingcommittee.org/grand-bargain.
The second question asks: **How do these barriers interact with local political and socioeconomic dynamics to impede locally led adaptation in Uganda?** Through 25 interviews with 3 donors (the US, UK and Sweden) at headquarters and country levels, their intermediary partners and Ugandan stakeholders (including national and subnational government actors, civil society and academia), we explore in Section 4 the interaction between donor barriers to localisation and the political context in Uganda.

The last question asks: **What solutions exist for overcoming these barriers? How can enabling features of the environment help?** In Section 5, we present some ways forward for making the pathways to locally led adaptation smoother. Our recommendations are oriented towards several groups of actors, in many cases targeting more than one stakeholder: donors grappling with the implementation of localisation commitments; local partners; international partners; and climate advocates. Drawing on the analysis in the paper, these recommendations were drafted by the co-authors and further developed through an online knowledge exchange event involving research participants, as well as researchers at Makerere University’s Department of Geography.
Localising adaptation finance: setting the scene

In 2021, the Global Commission on Adaptation released the Principles for Locally Led Adaptation (LLA). These are intended to ensure that local actors have individual and collective influence over adaptation decision-making and delivery, underlining the importance of inclusion, institution-building and subsidiarity. They are also a way to avoid the problem of maladaptation, where projects increase vulnerabilities by reinforcing inequalities or introducing new risks (UNEP, 2023).

At the 26th UN Climate Change Conference of the Parties (COP26), the UK, Denmark, Sweden, the US and the Netherlands all endorsed the LLA Principles. Several policy initiatives have ensued. The US Agency for International Development (USAID) has made locally led development one of five foundational principles of its Climate Strategy (2022–2030), while the UK mobilised $450 million for initiatives that enhance locally led approaches to climate (IDC, 2022). Multilaterally, the Adaptation Fund has scoped a new facility that will explicitly invest in LLA, indicating that these principles are increasingly mainstream.

2.1 Definitions

Localisation is fundamentally about redressing power imbalances relating to resources, agency and ways of being, between local actors, donors and their international intermediary partners (Baguios et al., 2021; Baguios, 2022a). While there are many definitions of a local actor, we reference a ‘wide range of actors in the Global South, including local and national governments, local and national non-governmental organisations (NGOs), civil society organisations, community-led organisations and communities themselves’ (ibid.).

Localisation, in climate adaptation as much as any other sector, will have to grapple with power dynamics along all three dimensions – resources, agency and ways of being. Below, we illustrate the overlap between the journey of localisation and the Locally Led Adaptation Principles.

Financial resources channelled by donors to local actors, both directly and indirectly, are critical to effectively develop, implement and sustain climate adaptation strategies (Barrett, 2014;
Colenbrander et al., 2017). This is not just about sufficient financing, but also about the ways financing is being made available. Here, the key requirements are to be able to access resources under more flexible, predictable terms and for longer periods.

The resource dimension is largely embedded in LLA Principle 1 (giving local institutions and communities more direct access to finance) and Principle 3 (providing patient and predictable funding that can be accessed more easily).

Box 1 Principles for Locally Led Adaptation (2022)

1. Devolving decision-making to the lowest appropriate level.
2. Addressing structural inequalities faced by women, youth, children, disabled, displaced, indigenous peoples and marginalised ethnic groups.
3. Providing patient and predictable funding that can be accessed more easily.
4. Investing in local capabilities to leave an institutional legacy.
5. Building a robust understanding of climate risk and uncertainty.
6. Flexible programming and learning.
7. Ensuring transparency and accountability.
8. Collaborative action and investment.

As of November 2022, over 100 organisations had endorsed these principles.6

Agency is where individuals or communities make decisions and undertake actions to realise certain aspirations, informed by past experience but contingent on current realities (Emirbayer and Mische, 1998). For example, this autonomy may appear (or not) in the way problems and standards are defined; the design of strategies and programmes; access to funds and their implementation; and the structure of accountability relations and learning processes (OECD, 2023a). Local agency in decision-making is important for many aspects of local collective action, including legitimacy, accountability, learning and mobilisation (King, 2020). Indeed, local organisations and/or local leaders cannot be held accountable by their local stakeholders for decisions they did not make, showing how local agency is crucial for accountability within the local context. And localisation of agency and resources does not necessarily align: for example, even where funds are channelled to local actors directly, donors can still retain a great deal of decision-making influence (Baguios, 2022b).

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The agency dimension of localisation is largely embedded in LLA Principle 1 (devolving decision-making), Principle 2 (meaningful participation of marginalised groups) and Principle 7 (accountability to local stakeholders).

Ways of being relates to how local actors view themselves or their place in the world. Evidence-based policy anchored in Western scientific methods is a powerful normative framework capable of marginalising local knowledge. Respect for local actors’ ways of being or local culture and knowledge is an integral element for understanding the extent to which locally led adaptation is achieved.

The concept of ‘ways of being’ is largely reflected in LLA Principle 4 (investing in local capabilities), Principle 5 (informing adaptation decisions through a combination of local, traditional, Indigenous, generational and scientific knowledge) and Principle 6 (flexibility and adaptation).

Overall, there is shared commitment between LLA efforts and this conceptualisation of localisation to prioritise the transfer of resources and decision-making towards local actors affected by climate change, as well as to affirm respect for local knowledge, capabilities and institutions that foster local resilience.
3 The donor barriers to locally led climate adaptation

Analysing the barriers to localisation sheds light on the progress donors can make as enablers of locally led development cooperation. This section builds on an earlier review of these barriers that drew on an extensive literature review and stakeholder consultations to present the full range of challenges facing localisation journeys (Baguios et al., 2021). Here, we delve deeper into the five barriers affecting donors’ localisation journeys in support of locally led adaptation. These barriers intersect with local political and socioeconomic contexts to influence access and distribution of resources, local agency and ways of being (Figure 1).

**Figure 1** Donor barriers to locally led adaptation

- **Risk aversion**: Risk aversion can prevent donors from directly funding local actors, but can also have effects on local agency and ways of being.

- **Administrative constraints**: Organisational capacities and cultures of donor agencies are not always aligned with the needs of locally led practice.

- **Dual accountabilities**: There is tension between accountability to local actors and accountability to domestic constituents.

- **Divergent values**: Donor norms can come into conflict with, or marginalise, local norms and values.

- **Power asymmetries**: The relative power between donors and local actors is a fundamental challenge at the heart of the localisation effort.

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**Local socioeconomic and political context**

**Resources**

**Agency**

**Ways of being**
3.1 Risk aversion

Donors often resist granting more funding to local actors due to their own risk aversion (Baguios et al., 2021). In the uncertain environments of development cooperation, risk management systems are meant to provide reassurance against contextual, programmatic and institutional risks. These systems are mechanisms to hold donors to account for their judgements and operational engagements. They are largely seen as ways to constrain and limit negative effects, even though risks may be the result of perceptions or social norms. The culture of risk management in a donor is thus an important determinant of the kinds of operational activities that will be permitted or prevented.

In general, donors avoid institutional risk that may threaten their reputation as responsible stewards of taxpayer resources (Gulrajani and Mills, 2019). The desire to control, anticipate, avert and minimise fiduciary risk is at some level a natural response to the increased expectation and desire for scrutiny and accountability to taxpayers. In particular, perceived fiduciary risks create significant hurdles for local actors’ access to climate finance, including extensive and complex procurement processes that impose various legal and technical requirements on grantees (Wall and Hedlund, 2017; Tye and Suarez, 2021; Colenbrander et al., 2017).

Short-term, project-based funding can be used by donors to control outcomes and manage risk, but can be critiqued for not providing local actors the long-term predictability required for sustainability, institution-building and strategic climate action (Shakya et al., 2019). Conversely, longer-term, multi-year core investments based on trust and respect are a foundation of locally led adaptation.

Perceptions that local actors may have limited ability and experience to absorb, disburse and manage large sums of finance transparently and at scale can also work against locally led adaptation (Holland et al., 2022). While local actors may be equipped to implement projects and deliver services, they are often viewed as not able to meet donors’ risk management needs. This includes compliance with safety and environmental standards, terrorist and money laundering reporting requirements, and reimbursement for rejected or questioned costs (Ingram, 2022).

Donor perceptions of risk can increase the use of intermediary organisations that have the capacity to absorb and spend large grants quickly in line with donor systems and frameworks. However, these are often Global North-based agencies, reinforcing existing power imbalances and hindering local leadership (Bond, 2021; Baguios et al., 2021). When funding local actors, international intermediary organisations – for example international NGOs (INGOs), UN agencies and development banks – can also apply their own due diligence and compliance processes,

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8 Contextual risks are largely politically and socially defined; programmatic risks relate to the failure to achieve objectives and unintentional harm; institutional risks largely derive from concerns about reputation. See Gulrajani and Mills (2019), citing OECD (2011).
primarily focused on fiduciary risk (Barbelet et al., 2021). The ability of local actors to meet donor and intermediary risk management requirements can end up dominating how local actor capacity is defined and valued, overlooking other types of capacity, including accountability to communities and contextual knowledge.

It is unlikely that donors will be able to tolerate higher levels of fiduciary risk in order to meet localisation objectives. For example, USAID’s revised Risk Appetite Statement\(^9\) makes it clear that, while some programmatic risk can be tolerated, there will always be high levels of aversion to fiduciary risk due to accountability to domestic taxpayers. At the same time, this clarification of different types of risk appetite raises the potential for exploring approaches that trade off risks in different ways.

### 3.2 Donor administrative constraints

Locally led practice is often considered a more ‘staff intensive business model’ (Ingram, 2022: 7). This is not simply because of the associated increase in the number of grants, but also because of the expected ‘accompaniment’ required of donor staff working with organisations that may be unfamiliar with their practices, systems and requirements.\(^10\) These requirements include having the right organisational policies and legal frameworks in place (e.g. for anti-money laundering; anti-human trafficking; safeguarding); financial management and auditing skills and systems; monitoring and evaluation skills and systems; procurement systems; and the ability to absorb funds evidenced from previous grants. As a result, LLA is often viewed as a less efficient model due to the higher transaction costs involved in managing grants (Tye and Suarez, 2021; IIED, 2017; Soanes et al., 2017).

Donor disbursement of climate finance at scale and speed poses specific challenges for engaging local organisations, where due diligence processes can take much longer and disbursement amounts can be smaller (Soanes et al., 2017; Omari-Motsumi et al., 2019). Donor administrative pressures to keep transaction costs low have shaped the orientation of a climate finance architecture that is ‘not yet designed for small grassroots organizations’ (Cooper Hall et al., 2019). For example, in the Green Climate Fund (GCF), ‘micro’ programmes that are designed to enable ‘direct’ access for projects worth less than $10 million, which can challenge grassroots organisations’ participation, including women’s organisations, where even $1 million can be beyond the scope of many (Cooper Hall et al., 2019) (Box 1). And yet, localisation does not only involve smaller grants by definition; disbursement to national and subnational levels is in keeping with shifting resources to local actors and can keep transaction costs low. It is also possible to support larger local intermediaries that can disburse smaller grants to local organisations in a more cost-efficient way (Cabot Venton and Pongracz, 2021). Recent analysis indicates that local

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intermediaries could deliver programming that is 32% more cost-efficient than international intermediaries by stripping out international overhead and salary costs (Cabot Venton et al., 2022).

**Box 2 Direct access modalities in multilateral climate funds**

Direct access has an important role in translating international climate finance disbursements into local action by enabling climate finance to flow locally and allowing for direct engagement with subnational entities (Omari-Motsumi et al., 2019).

The Adaptation Fund’s (AF) and GCF’s direct access modalities allow accredited national and regional entities to receive financing and manage projects. The modalities aim to reduce transaction costs and increase national ownership by removing the need for an intermediary institution (ibid).

Accreditation involves demonstrating compliance with safeguards and fiduciary standards, experience and proven ability to manage resources, and a track record in climate-related initiatives. It can involve major institutional restructuring for some national entities, as well as large administrative financial and non-financial costs. As a result, even while efforts have been made to simplify accreditation for smaller entities, direct access entities (DAEs) continue to rely heavily on international intermediaries to satisfy due diligence requirements.

Even when organisations gain accreditation, they are not necessarily accessing the funds due to slow disbursement. For example, while 51% of all GCF-accredited entities in 2023 were national DAEs, funding for DAEs has remained static each year since 2020 and disbursement has been close to zero since 2022. International entities still account for the vast majority of GCF funding approvals.

The technical skills and behaviours of donor staff applying localisation models and approaches also matter (Ingram, 2022; Goodwin and Ager, 2021). For example, co-creating solutions requires significant investment in building facilitation, accompaniment and co-design capabilities among

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13 See www.greenclimate.fund/about/partners/ae.
15 See www.lowyinstitute.org/publications/revitalising-green-climate-fund#footnote29_cpk55t6. GCF has had a pilot programme for ‘enhanced direct access’ to countries. An independent evaluation report was quite critical.
Supporting locally led climate action, and development more broadly, often involves shifts in behaviour and mindsets towards greater humility, respect, patience, the ability to listen and openness.

The top-down nature of donor organisational cultures can also limit space to identify and respond to local priorities, value local knowledge and ensure programmatic flexibility (Roche and Denney, 2019). Higher-level strategy and oversight functions often remain centralised within donors (Baguios et al., 2021; Honig, 2018). Support for responsive, locally led climate adaptation is dependent on the ability of donors to trade off the competing priorities of local leadership against centralised control (Craney and Hudson, 2020; Wall and Hedlund, 2017).

### 3.3 Dual accountabilities

Publicly funded donors are legislatively accountable to domestic stakeholders, including their political leadership, parliament and taxpayers. But donor work is usually targeting actors or activities outside their domestic constituencies, to whom they also have obligations and responsibilities. These ‘split constituencies’ require balancing donor accountability both ‘upwards’ and ‘downwards’. Declining public support for aid, budget cuts and heightened aid scepticism all contribute to ‘hyper-accountability’ upwards (Bond, 2021: 12; ICAI, 2023).

Limited donor accountability towards local actors is a barrier to locally led adaptation (Tye and Saurez, 2021). This is often felt in the realm of monitoring and reporting, which focus strongly on compliance, without sufficient measures to ensure donor accountability for commitments made to local actors. Donor accountability frameworks do not always align with the judgements and priorities of local actors, partly reflecting limited donor trust. This can reduce prospects for equitable partnerships and learning (Peace Direct, 2021; Baguios et al., 2021), as well as reduce the responsiveness of local leaders to their own constituents, as the latter focus on satisfying donor accountability requirements (Mkandawire, 2010; Bond, 2021).

Rigid compliance frameworks and systems can also have negative effects on donor organisational learning, constraining the flexibility of programmes and the autonomy of donor field staff (Honig and Gulrajani, 2017; Valters et al., 2016). This can lead to the pretence of accountability in order to preserve donor agency (Esser and Janus, 2023).

### 3.4 Divergent values

When choosing which local actors and priorities to support, Northern donors may seek to apply Western-centric value systems (Ingram, 2022). Promoting the inclusion of marginalised groups, investing in strengthening democratic institutions or promoting the integration of local economies into global markets are all examples where values-based tensions can arise between

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donor and local actors. Values-based conflicts are often, however, characterised by deep inconsistencies, reflecting the fluidity of cultural norms, as well as the ability of norms and values to be instrumentalised for political means (Nyanzi and Karamagi, 2015; Nyanzi, 2013).

Factors like political regime structures, civic space, public attitudes and social norms can influence the likelihood of values-based conflicts. Contexts in which powerful local actors systematically violate human rights – for example, in fragile and conflict-affected settings – can raise the risk of locally led practice further exacerbating insecurity or rights violations (Dasandi and Erez, 2019). By contrast, donor efforts to support local human rights organisations and activists can be an effective counter-measure where values-based conflicts arise (Dasandi, 2022).

3.5 Power asymmetries

Structural power asymmetries in development cooperation can result in top-down, donor-defined definitions of local capability, as well as donors dictating acceptable modes of working and organising (Peace Direct, 2021). For example, results-based management and the requirements of evidence-based policy and programming perpetuate top-down definitions of expertise (Falzon, 2021; Global Change Center et al., 2023). This is reflected in the promotion of transferable ‘best practice’, which can hinder the ability of local actors to develop and apply their own ideas as it privileges global over local knowledge (Baguios et al., 2021).

The extent to which donors are aiming to (or are capable of) shifting structural power can limit the fulfilment of ambitious localisation efforts for adaptation. Donors may make smaller, positive progressive steps and yet still sustain hierarchies and other counterproductive practices. For example, the instrumentalisation of localisation as more ‘effective’ may enable it to align more easily with the existing institutional logics of aid bureaucracies. But this could be at the potential cost of more fundamental shifts in power dynamics as part of a more emancipatory agenda (Brown et al., 2014; Vij, 2023; Baguios, 2022b). Similarly, a reductive focus on ‘partnerships’ as the main avenue for pursuing locally led practice can reinforce existing power dynamics (Baguios et al., 2021; King, 2020; King et al., 2023). LLA can thus risk bolstering existing inequalities in local contexts, as well as power asymmetries between local and non-local actors (Rahman et al., 2023; Vincent, 2023).
4 Unpacking donor barriers to locally led climate adaptation in Uganda

This section explains how the donor barriers identified in Section 3 interact with the political and socioeconomic context of Uganda to challenge the fulfilment of locally led adaptation goals. According to the Notre Dame Global Adaptation Initiative (2023), Uganda ranks as the 13th most vulnerable country in the world to climate change and 160th out of 192 nations in readiness to confront the threat. Climate-conscious Ugandans are solidly behind government action to address the crisis, even at significant economic cost.17

Channelling donor support for locally led adaptation through the state nonetheless presents considerable challenges. Political economy dynamics, including public sector corruption and human rights violations, have damaged donor trust and engagement. Shrinking civic space, including in the areas of climate and environment, presents further challenges. Examining how donor barriers play out in Uganda can amplify local perspectives to inform a better understanding of solutions to some of the impediments facing locally led adaptation.

4.1 An overview of climate finance in Uganda

The Ugandan government’s commitments in the areas of climate change are reflected in the National Climate Change Policy (2015), the Third National Development Plan (NDP III) and the Climate Change Act 2021. It is estimated that the country will need about $3.9 billion or $258 million a year to meet its climate adaptation and mitigation finance needs by 2030 (Ainomugisha, 2023).18 Such financing will need to be sourced from a combination of domestic sources and the bulk from external bilateral and multilateral partnerships.

The Government of Uganda (GoU) has also put in place a diverse set of structures, processes and institutions for managing climate adaptation finance (Figure 2). In 2022, the Ugandan Ministry of Finance, Planning and Economic Development (MoFPED) established the Climate Finance Unit (CFU) to enhance mobilisation of climate financing. The GoU has also established the Climate

18 Rising temperatures, erratic rainfall and associated extreme weather such as floods and drought have contributed to the categorisation of Uganda as highly at risk from the adverse impacts of climate change (UNCDF, 2022). These events have affected the country’s economy in terms of agricultural and energy production, critical transport infrastructure, human health, well-being and, more broadly, terrestrial ecosystems. The frequency, intensity and scale of the impact of droughts, floods and landslides has accelerated, demanding urgent action. If no action is taken to address the impacts of climate change now, annual costs incurred from associated loss and damage could reach $3.2–$5.9 billion by 2025 (Verolme et al., 2020).
Change Department (CCD) under the Ministry of Water and Environment (MoWE), the focal point for coordinating the implementation of the country’s Nationally Determined Contributions (NDCs).\(^\text{19}\)

**Figure 2** Uganda’s climate finance and policy coordination structure

Notable financing partnerships that have been mobilised towards meeting Uganda’s climate finance needs include: the GCF, with investments of nearly $70 million in five projects; the Green Environment Facility’s (GEF) contribution of more than $130 million across 37 projects; about $7.5 million from the Adaptation Fund, for projects on integrated management of water and related resources; and the Global Green Growth Institute (GGGI), which is supporting the Government of Uganda (GoU) to mobilise $260 million in green investments for agro-industrialisation, waste management, green manufacturing and energy development programmes.

under the NDP III (GGGI, 2022; Verolme et al., 2020). Within Uganda’s climate finance landscape, two initiatives are notable for their focus on localising climate adaptation finance: the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) and the UN Capital Development Fund (UNCDF) Local Climate Adaptive Living Facility (LoCAL) programme (Box 3).

**Box 3 Climate finance initiatives with locally led ambitions in Uganda**

LIFE-AR is a least developed countries’ (LDC) initiative. It is a primary vehicle for delivering the LDC 2050 Vision for a climate-resilient future by encouraging a more ambitious climate response around five key principles: equality, integration, ownership, local action and inclusion. Under this initiative, Uganda has focused on the development of a decentralised climate finance (DCF) mechanism. The mechanism is geared towards ensuring 70% of international climate finance flows to the local level – to meet the needs of communities most impacted by climate change (IIED, 2022). It has been funded by several donors to Uganda, including the UK and Ireland. The design phase of LIFE-AR in Uganda has been coordinated by the Ministry of Water and Environment, in collaboration with other government agencies, civil society and academics at Makerere University. The project is coming to the end of its design phase and moving towards implementation of the DCF mechanism.

LoCAL is a global climate finance mechanism that aims to promote community resilience through increasing local access to climate finance, at national and subnational levels. It also provides capacity-building and technical support for adaptation to local actors, including national and subnational governments. In its efforts to increase access to adaptation finance, it encourages the integration of climate finance in subnational government planning and budgeting systems and it uses performance-based mechanisms to deliver finance through these systems. Donor funding for the LoCAL decentralised mechanism in Uganda is channelled through the Ugandan Treasury, via UNCDF.

Additional multilateral funding sources include the East African Development Bank (EADB), which is prioritising transitions towards a low-carbon economy (LCE); the World Bank, which is running programmes such as ERT III, the Irrigation for Climate Resilience Project (ICRP) and the Grid Expansion and Reinforcement Project (GERP); and the African Development Bank (AfDB), which has invested in the energy and agriculture sectors (Verolme et al., 2020).

Sweden and the European Union (EU) supported the design phase of the LoCAL initiative in Uganda (including scoping, design and climate vulnerability and risk assessments); Belgium funded the first and second phase (piloting and learning in four districts); and the EU is funding the scale-up of the initiative to a further 10–12 districts.
4.2 Political economy dynamics challenging locally led adaptation in Uganda

Various political economy dynamics challenge the localisation of climate adaptation finance in Uganda.

Prominent cases of government corruption have contributed to a lack of donor trust in the government and reduced opportunities to enter into direct partnerships with the state. A corruption scandal within the Peace Recovery and Development Programme (PRDP) for Northern Uganda, uncovered in 2012, involved the theft of $12.7 million in donor funds intended for the reconstruction of conflict-affected northern Uganda (Human Rights Watch, 2013). The scandal occurred within the Prime Minister’s Office, which had previously been one of the more respected and trusted branches of government (Dodsworth, 2017). Many donors withdrew budget support and have yet to reinstate it.22

Additionally, the Ugandan government’s human rights record, particularly its treatment of LGBTQI+ communities, has prompted aid conditionalities and led donors to halt funding (Dasandi, 2022).23 Donor pushback against the development and passing of anti-LGBTQI+ legislation in Uganda has been framed by the government as a values-based conflict with Western ‘imperialist actors’.24 The political expediency of this narrative aligns with the rise of more populist forms of governance in Uganda (Bukenya and Hickey, 2019).

Ugandan civil society organisations (CSOs) raised constrained civic space as a key challenge to locally led adaptation. Environmental work that comes into conflict with economic and commercial operations like fossil fuel extraction is increasingly portrayed as ‘anti-development’ in governmental narratives (Human Rights Watch, 2023). Uganda’s plan to construct a pipeline to transport crude oil from the Lake Albert oilfields to Tanzania’s Indian Ocean coast has been especially difficult to square with national climate commitments. The oil sector is a key political legacy and campaign tool for the ruling National Resistance Movement (NRM), and any efforts (both donor and CSO) to check its trajectory are often viewed as running counter to national economic interests (Mugabi, 2023).

The current political economy of decentralisation also presents challenges for localising climate finance at the subnational level (Box 4). Before the mid-2000s, decentralisation positively supported the rapid expansion of local service delivery, as the NRM used this extension of services to consolidate its legitimacy. In more recent years, the regime has had to contend with more

22 Between 2010 and 2019, total budget support to Uganda accounted for less than 4% of the total aid disbursement, while it constituted over 10% between 2002 and 2009 (Lee, 2022). The UK has prohibited direct budget support to the Ugandan government since 2012.
24 See https://twitter.com/KagutaMuseveni/status/1692153176072327207.
threats to its hold on power, with an accompanying shift towards more populist and clientelist governance (Bukenya and Hickey, 2019). This has been connected to a ‘recentralisation’ of subnational governance in Uganda, reducing opportunities for local government discretion and autonomy (World Bank, 2013; Muhereza and Hitchen, 2022; Pinnington, 2023).

Box 4 Decentralisation in Uganda

In 1993, the NRM-led government undertook ambitious and comprehensive reforms of the country’s governance, adopting a decentralisation policy that entailed political, administrative and fiscal devolution through the creation of units at the district and sub-country level (Jordanwood et al., 2022; Ojambo, 2012; Friis-hansen et al., 2013; Mushemeza, 2019). The intention was to revitalise local service delivery, consolidate political legitimacy and respond to demands for more democratic governance (Makara, 2018). It was envisaged that decentralisation could promote local participation and decision-making.

Decentralisation has received praise and criticism in equal measure. While a legal and institutional framework has been put in place, it has fallen short on content and process in areas like commitment to democracy and genuine empowerment (Ojambo, 2012). With the shift to competitive multiparty politics in 2005, the NRM-led government tightened its grip on local governments and limited their fiscal and political power (Makara, 2010; Kagoro, 2015).

Decentralisation became a tool of clientelism and patronage, while also obstructing the creation of an opposition that could challenge the NRM. Even so, there is recognition that decentralisation will have an important role to play in achieving climate resilience objectives in Uganda (Friis-hansen et al., 2013; OECD, 2019; World Bank, 2016; UNCDF, 2022).

Decentralisation has also been connected to efforts to strengthen the NRM’s position, including new initiatives such as the Parish Development Model (PDM). The PDM aims to deepen decentralised governance by focusing on the smallest administrative unit, the Parish, with a primary goal of enhancing household incomes. The PDM’s objectives align with the LLA Principles of inclusive and equitable climate adaptation, including its goal to ‘strengthen participatory planning by local communities to collectively identify and address systemic bottlenecks that affect local economic development’. However, in interviews the PDM was primarily seen as a political strategy by the government to gain support by expanding patronage networks at the subnational level. On this basis, LIFE-AR is not intending to implement through the PDM, preferring to work through more established local government planning and monitoring committees.

25 See https://molg.go.ug/parish-development-model.
4.3 How donor localisation barriers interact with the Ugandan context to challenge locally led adaptation

Donor risk aversion

In Uganda, donor risk aversion interacts with local political economy dynamics in ways that challenge the implementation of localisation, particularly in engagement with the state. Donors have policies that either prohibit or restrict direct funding partnerships with the government, instead relying on intermediary organisations. There are many reasons to work through intermediaries, though this decision appears to respond to the fiduciary risks of direct government financing, particularly following the 2012 corruption cases.

Using intermediaries to manage fiduciary risk has reduced opportunities to work through existing country financial systems, limiting longer-term institutional strengthening. For example, because the UK has been unable to fund the government directly since 2012, its funding for LIFE-AR will be via a grant manager as an interim mechanism, with a Special Purpose Vehicle (SPV) acting as an intermediary for subcontracting purposes. This has ramifications for the ability of donors to support locally led adaptation. Problems include a potential loss of knowledge transfer to the GoU, and challenges around sustaining the initiative when donor financing ceases. As one government interviewee highlighted, ‘the aspect of institutional strengthening and capacity building is lost [when using intermediaries] which means less knowledge transfer’ (Interview, Government of Uganda).

Another problem with international intermediary financing for countries like Uganda is that intermediaries – including UN agencies and development banks – charge administrative fees for managing grants, reducing the volume of resources that reaches local actors (IIED, 2019). LIFE-AR responds to this challenge in its principles, specifically its target to direct 70% of funding to support ‘local action’. The aim is to reduce the administrative costs charged by intermediaries, including local and central government, to no more than 30%.26 LIFE-AR has been considering different options for achieving this in the implementation of its decentralised climate finance mechanism, including an SVP and a Project Implementation Unit (PIU), which would entail higher transaction costs.27 The arrangements for the intermediary are still being finalised. In interviews with civil society, the preference for working through larger intermediaries was also perceived to affect access to funding: ‘[We] miss out ... because [of] the competition with national and international NGOs; so when they open for grants you find it difficult to compete with those with more capacity’ (Interview, Ugandan CSO).

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26 ‘Placing local action at the heart, where resources are put into local hands with a target of 70% finance flows that support action on the ground in LDCs by 2030’. See www.iied.org/supporting-ldc-initiative-for-effective-adaptation-resilience-life-ar.

27 A Project Implementation Unit is a parallel vehicle for channelling funding. PIUs have been found to undermine efforts to strengthen local capacities: donors have attempted to reduce their use since at least the 2005 Paris Declaration on Aid Effectiveness (Abdel-Malek, 2015).
Administrative constraints

One way in which both donors and international intermediaries manage risk is through the application of due diligence requirements on grantees, which local actors can find difficult to meet. One interviewee noted ‘[w]e ask so many requirements of partners, we ask too much’ (Interview, donor agency). These expectations are applied not only to organisations in aid-receiving contexts like Uganda, but also to those based in the donor countries.

Ugandan government interviewees noted that they face demanding accreditation processes in order to access climate finance, particularly from multilateral funds (Box 2). These processes can be challenging for national governments, as much as for subnational governments and smaller civil society organisations. As one government interviewee noted:

Current global finance mechanisms ... do not favour LDCs; [we] face a lot challenges; [it is] difficult getting accredited for GCF and Adaptation Fund – a lot of documentation [is required], even for governments, and LDCs don’t have the capacities to prepare all that documentation.

Governments are often ‘exhausted’ after going through the accreditation process, to the extent that they are reluctant to begin another bidding process to actually access the funds (Interview, intermediary). The LoCAL initiative has provided technical support to the government to activate its direct access, following its accreditation to the GCF via the Ministry of Water and Environment (MoWE).

Administrative requirements have at times led donor organisations to focus on their own capacity and staffing to enable local organisations to work with their systems, in what is known as ‘accompaniment’. For example, several donor interviewees suggested that accompaniment required more resources to increase staffing levels in support of localisation. Donor staff also raised administrative capacity challenges, including limitations in systematic training and application of facilitative processes such as co-design approaches to developing climate adaptation initiatives in Uganda.

Dual accountabilities

Ugandan government interviewees noted that, when accessing climate finance via intermediaries, many funding proposals are written and led by the intermediary in a ‘top-down’ way that does not align programmes with community priorities. They noted that, in many cases, communities are simply not consulted in the development of intermediary funding proposals. Smaller civil society organisations are often relegated to the position of sub-grantees to larger, Kampala-based

organisations. In this role, they receive predominantly short-term and activity-based funding where they ‘cannot fund the entire process’ (Interview, Uganda CSO). In this case, the CSO was not able to access the funding required to conduct inclusive, regular community consultations.

Aid budget cuts were also seen to have affected accountability to local actors, driving a ‘culture of strained resources and high demand for results’ within donor agencies (Interview, donor agency). Donor staff noted that ‘[u]ncertainty with budgets at the donor level means that there is no predictability for partner organisations, something which smaller organisations cannot handle’ (Interview, donor agency). Similarly, Ugandan government interviews said that a central challenge in working with donors is that they ‘cannot be sure of continued flow of funds … If [the] situation changes, then resources can easily be diverted’ (Interview, GoU).

In interviews with Ugandan government officials, budget uncertainty was connected to a wider problem of restricted accountability of donors towards local actors, including government agencies, when the former fall short in their funding commitments. In the case of LIFE-AR, this is being addressed through a National Steering Committee in which donor partners, including the UK, are required to report on progress against agreed commitments on a regular basis.29 This was good practice for promoting donor accountability, according to actors in the Ugandan Climate Finance Unit (CFU).

The Steering Committee will have an important role in approving funding requests from implementing bodies.30 This emphasis on local decision-making within LIFE-AR’s governance design is despite the use of parallel funding systems like an SVP, and also extends to the local level. The intention is to utilise pre-existing Technical Planning Committees at district and sub-county levels, allowing local stakeholders to influence how funds are allocated, even though the funds are not expected to flow through local government systems. This is an example of how the separation of funding and agency can still enable greater local leadership, even where there are significant barriers on the funding side.

Divergent values

In addition to fiduciary risk, donors have also scaled back direct funding partnerships in Uganda due to concerns about human rights. In particular, anti-LGBTQI+ legislation has led donors to halt funding, or threaten to do so. This is both to express disapproval and to pressure the government to protect communities that have been marginalised based on their sexual or gender identity.

29 The LIFE-AR Steering Committee includes representatives from government ministries and Makerere University, as well as civil society organisations.
30 There are aspirations that the planning and budgeting procedures and calendars of this process will be aligned with those of the government.
President Yoweri Museveni has responded to such actions by characterising donors as ‘imperialist actors’ pushing Western norms, a position that has also been taken with regard to certain global climate policy initiatives (see Box 5).

**Box 5 Tensions and divergent values**

The Anti-Homosexuality Act (2023) criminalises same-sex relationships with punishments including the death penalty. In response, donors are increasingly using conditionalities, for example halting World Bank financing until additional measures have been put in place to protect sexual and gender minorities in financed projects.²²

The anti-imperialist narrative promoted by the GoU in defence of the Anti-Homosexuality Act as a ‘contest with the West’ has also characterised the Ugandan government’s position in relation to certain climate change initiatives. For instance, Uganda’s absence from the recent Africa Climate Summit in Kenya has been described in media reporting as pushback against Global North polluting states.³³ Efforts to reduce carbon emissions are in tension with the GoU’s plans for fossil fuel extraction.

Donors risk inadvertently supporting anti-LGBTQI agendas in Uganda by funding local actors who may be sympathetic to the Anti-Homosexuality Act (Provost, 2023). In interviews, donor staff acknowledged that localisation risks reinforcing existing forms of marginalisation and discrimination ‘in the absence of an inclusive development lens’ (Interview, donor agency). This lens aims to ensure that localisation efforts are underpinned by an awareness of existing local power dynamics, including the position of marginalised and minority groups.³⁴

**Power asymmetries**

Local actors’ capacity to meet donor requirements is often cited as a barrier to locally led climate adaptation. As one donor interviewee noted in relation to that donor’s funding requirements, ‘being a [donor] grantee is a specific set of skills’ (Interview, donor agency). ‘Skills’ can refer to technical capacities for climate adaptation, but here is mainly a reference to how to best navigate complex donor procurement and funding requirements. While such knowledge gaps are typically seen as a problem for smaller local organisations, they can also affect larger, national entities.

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³¹ See https://twitter.com/kagutamuseveni/status/1692153176072327207?s=46&t=OGTAc8ogGcF6qLU4GkNgz.
³⁴ See https://open.spotify.com/episode/4Uy1W77rWBs4n2PMdUNzgl?si=q6lbRgATfyZXmNM_UV5e8&nd=1&dlsi=4147b61267f34d48.
Donor-defined capabilities can impede the business continuity of local civil society organisations. For example, one interviewee explained that local partners risk losing staff trained to meet their funders’ requirements to higher-paying roles elsewhere. Conversely, when local organisations were asked what types of capacity they would like to develop, they emphasised climate adaptation and mitigation – for example, how to source and supply communities with alternatives to wood burning or developing climate-resilient farming methods and approaches to conservation – rather than the managerial capacities emphasised by donors.

In LIFE-AR, there is an emphasis on applying local knowledge through working with academics from Makerere University and technical specialists within the Uganda National Meteorological Authority (UNMA), a semi-autonomous government body. Another dimension of local knowledge that has been harnessed under LIFE-AR is the application of community/indigenous knowledge to deliver climate-resilient development in Ngora district, where a wetland restoration project drew on community knowledge in mapping the wetland’s boundaries, prioritising the most degraded sections and profiling endangered indigenous flora (such as trees and grasses) and fauna (including fish, birds and insects) species.

Beyond LIFE-AR, however, there is a more general preference for scalable interventions supported by rigorous evidence (often in the form of randomised controlled trials), which can exclude some local actors. Donor staff reported that smaller organisations lack the capacity to produce the robust evidence and business cases expected by donors to support proposals.

4.4 Discussion

In Uganda, donor risk aversion has interacted with political economy dynamics, including a history of government corruption, to create a context of limited donor trust. The Ugandan context also raises challenges related to the tensions that can arise in values-based conflicts. For example, any effort to promote LGBTQI+ rights is susceptible to the government’s anti-imperialist political discourse. Local civil society organisations also frequently raised shrinking civic space and the state’s desire to pursue fossil fuel extraction as central impediments to locally led adaptation. For donors, this shrinking civic space challenges their ability to work with civil society.

This political context can reduce opportunities to align climate finance with existing systems for channelling resources to local actors, as well as those for local decision-making and knowledge production. This problem was reflected in the LIFE-AR project, where funds for local climate action could not be channelled through government financial and delivery systems. Donors use intermediaries, or establish parallel systems, to avoid or manage risks. But alongside these methods, alternative frameworks can still offer opportunities for enabling local decision-making and knowledge, for instance via the LIFE-AR Steering Committee and its use of Technical Planning Committees. While many stakeholders consider the ability to access direct and flexible funding
a prerequisite for having agency (OECD, 2023a), this counterexample shows that this is not necessarily the case, suggesting that it is possible for donors to both manage fiduciary risk and support local leadership at the same time.

This emphasis on local leadership can also speak to problems of dual accountability. This is because, if local representatives on these committees are able to make programmatic decisions – and be seen to do so by local constituents – this provides an opportunity for them to subsequently be held accountable for those decisions by local stakeholders (King, 2020). This is the case even if funds are not transferred directly to these actors but executed via parallel systems. As such, when donors transfer decision-making power to local actors, they could also support the sustainability of local accountability connections in ways that do not depend on mitigating fiduciary risk.

When donors do fund local organisations directly in Uganda, they largely apply their own funding requirements and standards, including via due diligence processes designed to manage risk. The application and fulfilment of these requirements is administratively burdensome for both donors and local grantees, as the case of accreditation for direct access modalities demonstrates (Box 2). As Ugandan government interviewees who had gone through this process pointed out, these requirements can be challenging for even larger national entities to fulfil.

Interviews with donor staff working at HQ and in Uganda indicated that, rather than change their own requirements, they are adopting a more ‘staff intensive’ model to work directly with local actors. Local organisations in Uganda thus have strong incentives to develop the skills and capabilities required by donors to manage their grants. Meanwhile, donors face the administrative challenge of managing a larger number of smaller grants, as well as working with a new set of local actors who may be unfamiliar with their systems and requirements.

In Uganda, local actors have struggled to plan and effectively manage donor-funded climate initiatives due to donor budget cuts and diversions, underlining the importance of the accountability of donors to local actors. The ability of donors to fulfil their commitments to local actors is central to the efficiency and effectiveness of climate action in Uganda. LIFE-AR has responded by establishing a reporting framework for funders of the initiative in Uganda to regularly update the multi-stakeholder Steering Committee on their agreed actions, achievements and milestones.
5 Recommendations

Understanding and surmounting donor barriers to implementing localisation is integral to achieving ambitious localisation goals. This concluding section outlines recommendations for overcoming the donor barriers to localising climate adaptation finance in practice.

These five recommendations have emerged through the research process and via a knowledge exchange event involving key stakeholders in climate adaptation in Uganda, including government, civil society, donors and intermediaries. They aim to help donors position themselves to support local communities most affected by climate change, and to implement more lasting local solutions to address the multiple climate-related challenges they confront.

5.1 Strengthen donor capacities and shift mindsets

A large part of the discussion on localisation often focuses on local actor capacities. However, donor capacities for localisation must also be considered.

Different donors have expressed the need to improve their capacities in order to support locally led approaches in various ways. These include assisting local actors in using donor funding mechanisms, supporting co-creation or streamlining due diligence requirements. As well as system and institutional changes, localisation requires change at the individual level, including mindset and behaviour shifts towards greater humility, openness, ability to listen and willingness to address personal bias and assumptions (Baguios et al., 2021). This can also help foster donor trust in local actors, and investments in deeper, longer-term relationships.

One recurring theme in donor localisation efforts is capacity to manage risk. A key part of this recommendation is about reconceptualising risk in a way that is more connected to effectiveness: enabling positive outcomes, rather than avoiding negative ones. This entails acknowledging that taking some risks is necessary when aiming to support effectiveness (OECD, 2023b). Taking risks needs to be seen as part of a broader strategy to effectively achieve overall goals, including the localisation of climate adaptation finance. There are also other ways to think about risk, connected to the risk of not localising climate adaptation finance, which includes being less likely to enable locally appropriate and sustainable outcomes. Strengthening donor accountability to local actors in locally led adaptation efforts, as was done in LIFE-AR, is also a way of achieving progress on ‘collective accountability’, which would centre local stakeholders’ priorities and perceptions alongside those of donors.

Action by: donors

5.2 Enhance access to quality finance

The findings raise the challenge of how small local organisations can effectively manage funding and meet donor requirements. In this recommendation, we suggest several modifications to the ways climate finance is disbursed and access to quality funding enhanced.

Investing in the capacity and sustainability of local organisations through longer-term partnerships that provide flexible, patient funding can support localisation by providing financial predictability in a way that recognises different organisational starting points. Longer-term finance can provide time for local stakeholders to learn what works and adapt. Philanthropic organisations are now increasingly building on efforts to cultivate ‘trust’ with partners to provide multi-year, flexible commitments to support social movements and other grassroots organisations.

A system of pre-qualification or roster, where small local actors can be pre-approved to receive these smaller grants, is another way to enhance disbursement speed and enable greater direct access. This should aim to avoid the challenges that direct access modalities have faced in relation to complex accreditation processes by streamlining and simplifying expectations. If donors are serious about increasing access to funding, especially for smaller organisations, then they will also need to simplify and streamline their own systems and requirements. This could also address the administrative challenges donors face in managing grants and could mitigate some onerous parts of the process of applying for and receiving funding for local actors.

Another way to move away from using international intermediaries is by nurturing local intermediaries such as the Uganda Local Coalition Accelerator that can effectively pass on funding to smaller actors. Larger local intermediaries can handle larger grants, reducing the administrative burden for donors and making smaller grants available to local organisations that may not be ready to handle larger ones. National intermediaries, rooted in and familiar with the local context, can also support the gradual capacity development of smaller organisations in a way that is responsive and respectful to local ways of being. Fostering networks of local intermediaries can also encourage a sense of collective engagement among organisations that share similar values, which may enable more unified and effective engagement with domestic policy stakeholders.

Action by: donors and local partners

5.3 Create space for local agency and decision-making

These findings suggest that a substantial portion of donor barriers and challenges revolves around funding: how to transfer it more directly and effectively manage associated fiduciary risks. By observing that local agency and knowledge can exist independently of funding, this opens up

36 See www.wri.org/insights/climate-adaptation-priorities.
37 See www.trustbasedphilanthropy.org/principles-1.
new avenues to empower local actors in a more flexible and impactful way. For example, if funding is constrained to flow through traditional methods (e.g. INGOs), these could be enhanced with added local decision-making mechanisms, to ensure that inclusive groups of local actors have decision-making oversight of these funds, and that their implementation is accountable to them.

Following the example of LIFE-AR, these local decision-making mechanisms could be pre-existing (like the Technical Planning Committees) or ad hoc and project-specific (like the Steering Committee) and could include different combinations of state and/or non-state actors as appropriate, with an emphasis on inclusivity. These local decision-making bodies can be given specific oversight responsibilities for funds flowing via INGOs or other off-budget modalities. In turn, they can be held accountable by local populations affected by these spending decisions, within the local context. This illustrates how local agency and local accountability can still be enabled, even when there are insurmountable barriers to funding local actors (whether directly or indirectly) due to fiduciary risk.

**Action by: donors, local partners, international partners**

### 5.4 Track localisation progress in climate goals and instruments

While localising climate adaptation finance is largely associated with the quality of international finance, it plays out against debates on the quantum and modalities of donor investment for climate. Bringing together global and national discussions on the quantum of climate finance with question of process is one way to further institutionalise the goals of locally led adaptation both globally and nationally.

We know international climate finance is inadequate to meet the looming danger of the climate crisis. Less than half of total climate finance is directed towards adaptation efforts intended to moderate or avoid harm from extreme climate events, making those countries least responsible for global carbon emissions most vulnerable to its effects. There is a growing adaptation gap between the finance needed and received. ‘Developed party’ countries are urged under the 2021 Glasgow Pact to double provision of climate adaptation finance to low-income countries from 2019 levels by 2025. Meanwhile, efforts are under way to negotiate a goal (the New Collective

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38 Estimates suggest that total public and private climate-related investment will have to increase by 2030 to $1.8 trillion from 2019 spending levels to meet expected needs, representing a four-fold increase (Bhattacharya et al., 2022; Songwe et al., 2022; G20 Independent Experts Group, 2023).

39 The estimated adaptation finance gap now lies in the range of $194–366 billion per year (UNEP Adaptation Gap Report, 2023).

Quantified Goal – NCQG) on climate finance to replace the previous $100 billion target.\textsuperscript{41} In both global processes, there is scope to highlight commitments to localise adaptation finance and reiterate the importance of prompt and direct access to such finance.\textsuperscript{42}

Climate advocacy on global and national priorities and targets may also consider quantitative subgoals on localisation by theme and financial instrument. Some inspiration could be drawn from existing bilateral targets, including USAID’s commitments to fund local actors.\textsuperscript{43} This can also be supplemented by tracking qualitative data, including in relation to local leadership and influence.\textsuperscript{44} Identifying and tracking quality metrics relating to locally led adaptation can ensure that funding not only meets quantum targets, but also delivers impactfully.

**Figure 3** Climate finance by provider and level of concessionality, average 2019–2021

There are also emerging opportunities to reinvigorate discussions on what localisation goals should consist of within larger, loan-based instruments for climate adaptation. While the bulk of climate adaptation finance currently comes from public actors and is delivered as concessional grants, loan instruments represent a sizable share of expenditures and are likely to grow in the future as concessional budgets come under pressure (Figure 3). While the principle of subsidiarity

\textsuperscript{41} Negotiations began in COP26 in 2021 and conclusions are expected at COP29 in 2024; see www.iied.org/new-climate-finance-goal-making-what-must-happen-2023.

\textsuperscript{42} See https://unfccc.int/sites/default/files/resource/cma2023_L3E.pdf?download.

\textsuperscript{43} For example, USAID has an indicator on ‘direct award’ to local actors – with a clear definition of ‘local partner’; see www.usaid.gov/sites/default/files/2023-04/Key-Performance-Indicators-Direct-AA-Funding-Localization.pdf. See also: www.germanclimatefinance.de/2023/06/14/direct-access-to-german-climate-finance-expanding-pioneering-work.

\textsuperscript{44} See www.devex.com/news/usaid-announces-14-measures-to-track-key-localization-target-106767.
remains paramount within larger investments, there remains scope for considering how localisation principles should be enacted in the adaptation portfolios managed by climate funds, development finance institutions (DFIs) and multilateral development banks (MDBs).  

**Action by: climate advocates**

### 5.5 Reconceptualise local actor ‘capacity’

There is often a strong emphasis on local capacity solely as a means to manage external donor funding. However, it is crucial to recognise that local capacity encompasses a multitude of other responsibilities unrelated to donor financial management. This includes local actors steering their own organisations, overseeing programmes, fostering accountability with communities, nurturing deep connections, understanding the local context and leveraging local knowledge, among various other functions.

These diverse capacities also extend beyond the organisations that directly receive funding and can encompass broader systems within local societies. For instance, strong local knowledge systems involving Makerere University and UNMA made it easier for LIFE-AR to draw on existing local capabilities and expertise. By adopting a broader, more nuanced and even system-wide understanding of local capacity, donors can contribute significantly to the effectiveness and sustainability of locally led development efforts.

One example is the support for South–South cooperation and knowledge exchange, which is essential in upending Western knowledge systems and disrupting dominant power choreographies that have perpetuated global development inequalities. Through peer-to-peer learning between countries in the South, such as a CFU benchmarking visit to Kenya, policymakers and development practitioners with shared solidarities can connect and learn from each other’s experiences to identify workable development solutions and policies.

**Action by: donors, local partners, international partners**

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OECD (2019) ‘The role of local governments in economic development policy’ (www.oecd-ilibrary.org/sites/4b46f4a4-en/index.html?itemId=/content/component/4b46f4a4-en#).


