

LDCF/SCCF Council Meeting
November 12, 2009

Agenda Item 6

EXECUTIVE SUMMARY OF THE JOINT EXTERNAL
EVALUATION: OPERATION OF THE LEAST DEVELOPED
COUNTRIES FUND FOR ADAPTATION TO
CLIMATE CHANGE

**(Prepared by DANIDA Evaluation Department
and GEF Evaluation Office)**

Recommended Council Decision

The Council, having reviewed document GEF/LDCF.SCCF.7/5, "*Executive Summary of the Joint External Evaluation: Operation of the Least Developed Countries Fund for Adaptation to Climate Change*," and document GEF/LDCF.SCCF.7/Inf.5, "*Management Response to the Joint External Evaluation: Operation of the Least Developed Countries Fund for Adaptation to Climate Change*," and having taken note of the full report, document GEF/LDCF.SCCF.7/Inf.4, "*Joint External Evaluation: Operation of the Least Developed Countries Fund for Adaptation to Climate Change*," requests the GEF Secretariat to take into consideration, as appropriate, the lessons learned and recommendations in the development of future strategies and processes in the LDCF.

Executive Summary

Background and purpose

The Evaluation Department of the Danish Ministry of Foreign Affairs (EVAL) initiated the Evaluation of the operation of the Least Developed Countries Fund (LDCF) at the request of the Ministry's Environmental Secretariat. UNFCCC COP Decision 5/CP.14 by parties to the United Nations Framework Convention on Climate Change (UNFCCC) provided an important context for the work. It invites Parties and relevant organisations to submit information on the preparation and implementation of NAPAs. At the invitation of EVAL, the Global Environment Facility Evaluation Office (GEF EO) joined the initiative, in part, due to its relevance for the Fourth Overall Performance Study of the GEF. Both evaluation offices are independent and report directly to the governing bodies of their respective organizations.

In accordance with the Terms of Reference (see Annex I), the LDCF was evaluated as one mechanism to address climate change impacts under the United Nations Framework Convention on Climate Change (UNFCCC). The LDCF was established in 2001 under the UNFCCC and was mandated by Parties, amongst other activities, to provide support for the preparation of National Adaptation Programmes of Action (NAPAs) and for the implementation of NAPA priorities in least developed countries (LDCs). The Global Environment Fund (GEF) administers the LDCF as part of its role as an operating entity of the financial mechanism of the Convention under the guidance of the Conference of Parties (COP). The LDCF was evaluated as a system with different components, phases, actors and stakeholders. The operation and performance of the LDCF were seen as being determined by the inter-actions of the various aspects of the system.

The objective of the Evaluation was to analyze and document the results and lessons learned from the operations of the LDCF in financing and promoting climate change adaptation in the least developed countries.

The Evaluation Team was drawn from the International Institute for Environment and Development (IIED) and the Danish consulting firm COWI, plus experts from each of the countries chosen as case studies. The Evaluation Management Group included staff of EVAL and the GEF EO, and a water expert from Zambia. An Evaluation Reference Group was convened from representatives of LDCs, GEF Agencies, development partners and other climate change adaptation experts.

The Evaluation was launched at the end of November, 2008, and the report was completed in September, 2009.

Scope and methodology

The Evaluation focused on the following areas:

Processes: How the LDCF built upon national capacity to devise adaptation priorities and plans, how LDCF and NAPA processes engaged actors and how NAPAs were prepared. In addition, the Evaluation examined how the LDCF supported the preparation and implementation of NAPA priority projects.

Products: LDCF related outputs, principally the NAPAs, were considered by looking at the analytical basis for the identification of adaptation priorities, the match of priority projects to identified climate challenges, and consultative aspects of NAPA processes.

Catalytic effects: The ways the LDCF promoted and increased the rate of adaptation planning and prioritization. Also how the LDCF achieved catalytic effects in the development of capacity to plan, integrate and implement climate change adaptation and related actions.

The Evaluation conducted the following activities: an assessment of the 41 NAPAs prepared and submitted to the UNFCCC by end of May 2009; a review of documentary evidence related to the establishment and operation of the Fund; consultation with the LDCF Secretariat and other GEF staff; interviews with key LDC stakeholders including UNFCCC and GEF focal points, and representatives of the UNFCCC secretariat; interviews were conducted with World Bank and UNDP staff from headquarters, regional and national offices; an e-mail survey of stakeholders in all LDCs; five in-depth NAPA process case studies: Bangladesh, Malawi, Sudan, Mali and Vanuatu; a review of a selected LDCF procedural documentation; a multi-stakeholder evidence analysis workshop; a review of various assessments of the NAPAs and NAPA processes; and, interactions with the Evaluation Reference Group, including a presentation of the preliminary key findings and possible recommendations in June 2009.

Throughout the Evaluation the Team sought advice from the Evaluation Management Group.

Main findings and conclusions

The LDCF was initiated as an expedient attempt to identify, prioritize and begin to address urgent and immediate climate change adaptation needs within LDCs. The opportunity to precipitate mainstreaming of adaptation was recognized and embodied in the eligible actions for NAPA priorities – adaptation projects, capacity development, integration of adaptation into development, and policy reform.

In reference to the initial COP guidance for the LDCF in Decision 27/CP 7, the Evaluation concludes that:

- funding has been provided to meet the agreed full cost of preparing the NAPAs and separation has been ensured of LDCF funding from the other funds of the GEF;
- adoption of “simplified procedures ... for expedited access” for implementation of NAPA priority projects has proved difficult to realise and current efforts by the GEF and its Agencies to expedite access and streamline procedures have come late;
- the complexity of the structure and procedures of the LDCF has hampered the ease with which the workings of the Fund have been understood from the perspective of LDC stakeholders;
- greater use of public sector experts, less reliance on independent consultants and more attention to setting up intra-government arrangements as part of NAPA processes would have improved the technical sustainability of NAPA outputs;

- a broad platform of NAPAs has been created alongside a wide set of expectations in LDCs that NAPAs will be implemented.

The LDCF administration has had to respond to COP guidance and requests. The timeline presented in Annex XIV sets out how the LDCF has responded to COP.

The LDCF relies upon voluntary financial contributions from countries – parties to the UNFCCC. The size and unpredictability of available funding of the LDCF precluded effective support of programmatic responses to the adaptation needs identified.

The *modus operandi* of the LDCF meant that, in common with other GEF supported programmes, it has been predominantly project and sector focused, rather than addressing the thematic and transformative approaches required for more effective adaptation planning and implementation.

The NAPAs are important documents and the preparation processes have been significant in a number of LDCs. They contributed at an early and critical stage to increasing awareness in LDCs of the adaptation challenges that climate change poses. The NAPA reports have become key government statements of adaptation needs in some countries and the priorities they identify are considered generally relevant by most stakeholders.

Of the over 390 NAPA priority projects identified in the 41 completed NAPA reports 90 per cent address sectoral and 10 per cent cross-sectoral adaptation needs. Food security was the most often prioritised sector accounting for nearly a quarter of all priority projects followed by terrestrial ecosystems and water resources. Less than 10 per cent of projects are specifically aimed at education and capacity development. A small proportion of projects explicitly mentioned a mainstreaming co-objective, policy reform co-objective and livelihoods diversification. The fact that the LDCF has been constrained to offering relatively small scale funding for priority projects has meant that wider development coherence was difficult to achieve.

UNFCCC COP Decision 28/CP.7 identifies gender equality as a guiding principle for NAPAs and the Least Developed Countries Expert Group (LEG) annotated guidelines on NAPA preparation state that women need to be recognised as key stakeholders in consultations and decision-making. However, gender differentiated vulnerability and the role of women in adaptation are unevenly addressed across the NAPAs.

The programme was justified as an attempt to meet urgent and immediate adaptation needs. LDC stakeholders voice considerable frustration about the LDCF in terms of the complexity and tardiness of the processes to obtain funds for adaptation priority actions. Disbursement of finance for priority project implementation has been of an insignificant scale compared to adaptation needs in LDCs – USD 85 million committed by end of May 2009 with indicative co-financing of USD 162 million.

Climate change adaptation is a new policy area. Few public sector employees and fewer politicians have a technical background that includes climate change expertise. The low level of human resource capacity among ministries and line agencies was an important constraint in developing and implementing adaptation planning. Results from a survey conducted by the LEG of LDC parties concur and also point to the lack of guidance and capacity development.

Significant strength of opinion and explicit preferences of LDC stakeholders were revealed by the Evaluation that the LDCF should continue to function, but in ways that enable expeditious access to adaptation implementation finance and technical support. The Evaluation concurs and recommends ways that the LDCF can be made better fit for purpose.

Lessons learned

It is recognized that what happens next to the LDCF depends to a large extent on the outcome of the negotiations on adaptation financing between parties to the UNFCCC. It is anticipated that important and far reaching decisions will be reached at COP 15 in Copenhagen on the scale and modalities for adaptation funding.

This Evaluation (in common with other assessments reviewed) has identified problems of LDCF performance that are related to design and function and have resulted in very few LDCs so far being able to reach the implementation of NAPA priority projects – one project is in operation in Bhutan and four other projects in Bangladesh, Burkina Faso, Cambodia and Samoa now have the pre-requisite GEF CEO endorsement or approval for implementation to go ahead (as of end May 2009).

In part, the difficulties have been due to dealing with a complex subject that is new to many stakeholders (including both the GEF, the GEF Agencies as well as the LDCs), in countries with poorly defined climate adaptive capacity. In addition, the funding of the LDCF by contributory countries has neither been predictable nor sufficient to address programmatic adaptive responses to climate change. These are grounds for deliberate reform and then adequate replenishment of the LDCF.

The following lessons are relevant for the establishment of global funds for climate change adaptation:

Scale: the scale of financial resources and the reliability of replenishment are crucial factors in the establishment and management of a fund aimed at adaptation needs. Unfulfilled pledges can thwart the performance of a fund as can setting up a financial resource channelling programme that is of an inappropriate scale for the size of the task at hand. If resources are too limited for a fund to handle all countries at once in an effective manner, ways should be sought to allow countries to be addressed sequentially, e.g. through a stepwise approach with certain deadlines established for project submissions (a limited number of priority vulnerable countries being properly addressed rather than a large group being superficially targeted).

Design, flexibility and responsiveness: funds that need to be mobilized quickly require a clearly defined programme design including a clear overall management strategy focusing on performance and achievements within clear deadlines. Furthermore, sufficient staff resources need to be allocated. A fund that has urgent and immediate priorities as its major goal needs by design to quickly generate a programme pipeline with projects ready and mature enough for financing. This requires that clear guidance on policy and project design go hand-in-hand from the very beginning, or at least that more specific policy implementation guidelines are developed early.

Capacity: in countries with limited technical and human resource capacity, bottlenecks will occur in project preparation that will prevent the full benefits of adaptation consid-

erations being integrated into national policies and programs. However, short-cutting this constraint by employing consultants to do the work without proper engagement with government staff and thereby capacity development will often lead to a lack of national ownership of plans developed. Moreover, adaptation is still a young discipline and it is necessary for a fund to have a large degree of flexibility and to be able to deliver the specific financial and technical resources the different countries need.

Feed-back and continuous learning: the ability to monitor and track achievements and results needs to focus not only at project level but also at the programme level. The fund must be able to draw on strategic evidence gathering and advice in terms of substantive matters but also programme management issues.

Coherence in the adaptation funding architecture: The emergence of new funds for adaptation, – most notably the Adaptation Fund under the Kyoto protocol, demands that the sequencing and synchrony of funds' objectives, targets and duration are carefully considered to maximize coverage and impact. The future of the LDCF should be decided by parties to the UNFCCC in the context of other adaptation funding and an assessment of any LDCF comparative advantage.

Key recommendations for the future of the LDCF

Parties to the UNFCCC – the following recommendations require UNFCCC COP guidance or requests

1. Given that the context of the LDCF has changed since its creation, i.e. additional funds have been created – most importantly the Adaptation Fund under the Kyoto Protocol – as well as additional information about the severity of climate change coming out of IPCC and elsewhere that implies additional costs, UNFCCC should reassess the role of the LDCF. What is the niche of the LDCF given the likely scale of its funding and the emergence of new channels and some additional funds? Parties should consider what constitutes an appropriate lifespan of the LDCF – be that short to medium term, e.g. up to 2012 and the replacement of the Kyoto Protocol, or longer term.
2. In addition, parties should consider if the present institutional arrangements for LDCF management are fit for purpose in the post-Copenhagen era. The precedent of the direct access model under development in the Adaptation Fund is important here.
3. In order to reach agreement on the reforms and improvements required to the LDCF a multi-stakeholder dialogue (perhaps electronically or through a workshop) should be convened to review the governance structure and operations of the Fund. The evidence considered would come from various sources, including this Evaluation. The dialogue should include representatives of the LDCs, current and future contributory countries to the LDCF, the LEG, the UNFCCC, the GEF Secretariat and the GEF Agencies. It should be facilitated by a third party (i.e. neither GEF Secretariat, nor GEF Agencies) and participants should agree to abide by the agreements reached. Replenishment of the Fund should take into account the reform dialogue conclusions.
4. Any replenishment of the LDCF for the longer term should be sufficient to support whole NAPA programmes, rather than individual project implementation.

5. The structure of the LDCF system needs to change such that the Fund is more responsive to LDC demands for more expeditious access. The role of the GEF Agencies, how they are contracted and who they report to should be reviewed. One option would be to enable LDCs to directly contract in the services of the GEF Agency they choose. The 'direct access' precedent being set by the Adaptation Fund is also important.
6. Clear policy frameworks need to be tailored to specific country needs and circumstances early in the NAPA implementation process. It may prove necessary to swiftly mobilize supporting tools for adaptation planning. A way of doing this could be for the COP, or the LDCF Council, to decide to entitle the Fund to allocate a certain percentage of its financial resources for technical assistance support and development of supporting tools for implementation, including sector thematic guidance on how to integrate adaptation into development and how to address adaptation within key economic sectors. This would enable the Fund to collect lessons learned from policy and project level and ensure synergies between the two.
7. Also the future development, re-structuring and updating of the NAPA reports need to be considered. In order to better serve as a flexible and updated planning tool for governments, adaptation priorities need to be established for the short, medium and longer term, and the sequencing of priority implementation needs to be designed so that effectiveness and synergies between actions are assured. NAPA report review and updating on a biannual basis would be sensible and would allow NAPA priorities to be better incorporated into budgetary decision making at a central LDC government level¹.
8. The COP should consider requesting the LEG to build upon the advances achieved in the LEG technical working paper on NAPA implementation strategies² and the OECD/DAC guidelines on mainstreaming adaptation by developing more detailed guidelines on aligning NAPA priority projects with government planning and budgetary processes, in order to ensure better implementation plans.

LDC governments

9. Ministries of finance and/or planning should call each year for climate change adaptation priorities at the sector level for the purpose of the national budget construction. A climate change adaptation planning cycle needs to be started. This would provide a way of coordinating the investment of funds available from other sources.
10. Support for the establishment of strong national inter-institutional arrangements for adaptation planning needs to be put in place in order not to lose momentum from NAPA preparation and completion to implementation of NAPA priorities.
11. NAPA implementation planning should ensure that outputs are complementary to and aligned with the government planning cycle.

1) The Evaluation concurs with the recommendations on NAPA up-dating made in the LDC Expert Group (2009) *The Least Developed Countries National Adaptation Programmes of Action: Overview of preparation, design of Implementation strategies and submission of revised project lists and profiles*. UNFCCC Secretariat.

2) LDC Expert Group (2005) *Elements for Implementation Strategies for national adaptation programmes of action* UNFCCC/TP/2005/5, 2 August 2005.

12. NAPA findings should be taken more seriously into account when developing SWAPs and other sector investment programmes. LDCs should demand that donor agencies harmonise around climate change support and properly consider NAPA priorities when supporting adaptation.
13. LDCs should take a stronger co-ordinating role in regard to official development assistance support for climate change adaptation to avoid duplication and achieve synergies. NAPAs should be considered as the basis for the development of central programming documents for climate change adaptation.

Development partner agencies

14. Support to help LDC governments implement NAPA priority activities should be designed that maximizes national capacity development on climate change adaptation implementation through projects, integration into development and policy reform.
15. Development partners should seek to align with LDC adaptation priorities and use updated NAPAs to do so. In addition, development partners should reduce LDC transaction costs by harmonising approaches in support of adaptation and NAPA implementation.

LDCF Council

16. The agenda of the LDCF Council should draw on lessons learned on LDCF performance, including this Evaluation, in a more systematic way. This would allow better responses to the guidance and requests from the LDCs and the LEG. In addition, the Council should advise the LDCF administration how best to support the implementation of the remaining parts of the LDC work programme thus responding proactively to the COP decisions.
17. The timeliness and thematic breadth of the advisory support to the LDCF Secretariat needs to be strengthened by greater engagement of the LEG and other relevant adaptation experts.
18. Consideration should be given to how the LDCF's performance could be strengthened through a budget line to initiate cross cutting projects on thematic issues that would support the individual NAPA priority project beyond the current "projectised" approach and to set in place better frameworks for adaptation planning in the future.
19. LDCF should open a civil society-only funding window to support the delivery of climate change adaptation according to NAPA priorities by NGOs, CBOs and local organisations. This opportunity should be taken to test innovative funding schemes.

LDCF administration /LDCF team in the GEF Secretariat

a. Knowledge generation and dissemination:

20. Establish a help desk or hotline with direct access for countries, GEF Agencies and consultants working on project preparation.

21. Systematic and inclusive learning and reflection processes should be initiated as part of NAPA priority activity implementation so that LDCs and other stakeholders can draw lessons and identify ways of improving adaptation delivery. This will require: (a) adequate financial and technical resourcing of monitoring and evaluation for NAPA implementation, (b) that sufficient NAPA priority activities across different LDCs are synchronised to allow concurrent and therefore more easily comparable initiatives.
 22. Significant multiplier effects would be possible by investing in programmatic implementation and careful scrutiny of the socio-economic costs and benefits of climate change adaptation in terms of learning outcomes and knowledge generation.
 23. Implementation of NAPAs could be treated as piloting ways of (a) mainstreaming by both getting climate change adaptation priorities into sectoral planning through the generation of high level then more local scale policy developments, (b) the elaboration of policy instruments for adaptation and development objectives including in the areas of, for example, food security, water resources management, public health and disaster risk reduction and (c) to assess what approaches to project interventions, integration into development, capacity development and policy reform work best for adaptation outcomes.
 24. It is essential to identify and to understand how LDCF supported adaptation actions can best address gender equality issues and women as agents of adaptation.
 25. Resources should be invested in developing an understanding across different LDCs of the true escalating costs of climate change leading to adaptation needs. As part of this, finance and planning specialists from government and non-government agencies across LDCs should be convened into a community of practice on assessing costs and benefits of climate change adaptation using NAPA priority activities as case studies.
 26. Issue guidelines and/or good practices on how to establish 'additional costs' in adaptation projects, how to interpret the equitable access protocol and how to deal with co-financing requirements. Guidance should be developed and disseminated on good practices in NAPA priority activity implementation.
 27. A knowledge base should be developed on climate change adaptation experiences at local through to national levels across LDCs where different types of governance systems prevail.
 28. The technical advice available to the LDCF administration should be strengthened both through a permanent advisory body and ad hoc groups for addressing specific thematic issues.
- b. Operational aspects:
29. In order for the LDCF to play a complementary role to the emerging other climate change financing mechanisms greater responsiveness and flexibility of procedures will have to be introduced to ensure lack of duplication and complementarity
 30. All the NAPA priority projects should: use evidence-based inquiry into the ways climate change effects are differentiated between genders, introduce measures that

identify women's vulnerability to climate change, and listen to the voices of climate vulnerable women.

31. In order to reduce process time for the NAPA follow-up project preparation stage, it is advised to limit the documentation needs at the early phase of the cycle. This implies a risk, but this risk must be handled and mitigated later in the project cycle. This should be addressed promptly through consultation with representatives from recipient countries and stakeholders and agencies involved. Through discussion of experiences, pragmatic ways need to be identified to:
 - Shorten the project cycle by, for example, combining the Project Identification Format and Project Preparation Grant stages within a project inception stage. This is standard practice in development assistance funding. It will require further detailed guidance to countries in order to avoid uncertainties on the feasibility of the project and the project criteria,
 - Create stricter deadlines for the GEF Agencies on submission of project documents for CEO endorsement, e.g. a 12 months deadline for submission followed by a sunset clause,
 - Create transparent and clear criteria for reviewing PIFs, PPGs and other project documents including putting review sheets, or some version thereof, into the public domain, so that these are used only for issues that are crucial for the early preparatory phase – those issues relevant for the elaboration of a full project document should be dealt with at that later stage,
 - Introduce a common tracking procedure across the LDCF and the agencies, so that the status of a given project may be found irrespective of where it is in the cycle and with which agency it is in the process.