

## LEAST DEVELOPED COUNTRIES EXPERT GROUP (LEG)

Submission under the work programme on long-term finance, decision 4/CP.18, paragraph 5

03 April 2013

### 1. OVERVIEW

The Least Developed Countries Expert Group (LEG) welcomes the opportunity to submit its views on long-term finance as set out in decision 4/CP.18, paragraph 5. Through this submission, the LEG intends to contribute to the work programme's efforts to analyze climate-related financing needs of developing countries with a view to identifying options for the mobilization of resources from a wide variety of sources up until and beyond 2020.

The LEG welcomes the report on the workshops of the work programme on long term finance.<sup>1</sup> The report includes several aspects which the LEG considers important in terms of long term financing on adaptation in least developed countries (LDCs). The LEG is willing to share its experiences and support the implementation of the work programme on long term finance. The applicable aspects of the report are extracted below:

- The COP could consider providing guidance for more structured work on climate finance between and within relevant bodies under the Convention such as the LEG;
- A request to the SBI, in its consideration of issues related to the frameworks on capacity-building and matters related to LDCs, to identify a range of actions aimed at strengthening national capacities to access climate finance;
- The exploration of the interface between public and private finance, including approaches to leveraging private climate finance;
- The identification of enabling environments that can unlock and foster increased climate finance flows for mitigation and adaptation;
- Building the capacity to assess needs and identify national priorities is urgent and imperative. There is a need to enhance the capacity of developing countries to conduct their own assessment of financing needs in accordance with their development priorities. Costs that are difficult to measure, although critically important, are not captured in overall estimates. Information gaps and capacity needs include support for strengthening national institutions; improving resilience in local development plans; embedding ecosystem-based approaches into adaptation and introduction of innovative financing to help scale up investments in low carbon projects at local levels;
- Assessment of needs is a dynamic process. The assessment of the climate related financing needs is an evolving process and should be implemented in a way that takes into consideration changes in the expected impacts of climate change in developing countries, particularly in LDCs;
- Engagement of multiple stakeholders is the key. There is a need to engage a variety of stakeholders from both the public and private sectors to facilitate access to the required information and stimulate dialogue on how to integrate climate change into national development plans;

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<sup>1</sup> FCCC/CP/2012/3.

- The role of the insurance industry is important in supporting low-income countries to assess their needs, specifically by assessing pricing risks; creating incentives for loss reduction and resilience building activities; and providing timely finance to recompense damage;
- Local institutions in many countries have begun to engage in participatory adaptation planning processes. There is a need for a strategic vision that grounds such efforts to respond to climate change in national development aspirations;
- Transboundary and regional programmes may present an additional means of scaling up finance and move from project-based planning and implementation to multi-sectoral programmes. Transboundary and regional approaches would complement rather than replace national efforts;
- In many developing countries, particularly LDCs, closing the infrastructure gap can greatly strengthen resilience. There are many opportunities to find low-carbon solutions to developing countries' infrastructural needs that thereby link mitigation and adaptation interventions in practice, and maximize synergies;
- There is substantial need to strengthen and improve support to enable LDCs direct access to climate finance;
- There is also a substantial need to establish and maintain national climate change trust funds through which both international and national resources could be channelled out;
- The tracking of climate finance at the international and national levels needs to be strengthened. More accurate information on how developed countries are channelling their climate finance in a comparable way is needed. More detailed information on how finance is used within countries can be an important first step in monitoring, reporting and verifying how finance is used, and in evaluating the impact of this finance;
- The LEG can provide experiences to seek maximisation of synergies and comparative advantages of different actors and institutions in the current climate finance architecture in the context of LDCs;

## **2. EXPERIENCES WITH CLIMATE FINANCE IN LDCS**

### ***2.1. Preparation of national adaptation programmes of action***

National adaptation programmes of action (NAPAs), are part of the work programme for the implementation of Article 4, paragraph 9, of the Convention (LDC work programme).<sup>2</sup> They provide a process for LDCs to identify priority activities that respond to their urgent and immediate needs with regard to adaptation to climate change. The rationale for NAPAs rests on the limited ability of LDCs to adapt to the adverse effects of climate change.

In order to support the implementation of the LDC work programme, the COP established the Least Developed Countries Fund (LDCF),<sup>3</sup> and entrusted the GEF, as an operating entity of the financial mechanism of the Convention, to operate the LDCF and provided initial guidance to the GEF to focus on providing support for the preparation of NAPAs.<sup>4</sup>

The preparation process for the NAPAs was conceptualized to last for eighteen months, for which in accordance with the *Operational Guidelines for Expedited Funding for the Preparation of National*

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<sup>2</sup> Decision 5/CP.7, paragraphs 11-17.

<sup>3</sup> Decision 7/CP.7

<sup>4</sup> Decision 27/Cp.7

*Adaptation Programs of Action by Least Developed Countries*,<sup>5</sup> each LDC would access a maximum of USD200,000 for the preparation of the NAPA, or a maximum of USD150,000 if the preparation process was anticipated to take less than 18 months. An LDC could make the case for more funding for the preparation of the NAPA, and such a request would need to be processed through a full project cycle under the GEF. The first NAPA was completed in 2004 while most were completed over the period 2007-2009, since 2001 when the NAPAs were established. As at 16 March 2013, 47 LDCs had completed and submitted their NAPAs to the secretariat.

## ***2.2. Implementation of national adaptation programmes of action***

COP 11 (2005) provided further guidance to the GEF for the LDCF to support the implementation of NAPAs.<sup>6</sup> The Global Environment Facility (GEF) subsequently developed a *Programming Paper for Funding the Implementation of NAPAs under the LDC Trust Fund*.<sup>7</sup> From 2007, LDCs started submitting proposals for the implementation of the NAPAs for funding under the LDCF. This was following a project proposal formulation process that lasted for at least one and a half years. The period 2008-2010 saw the largest number of proposals being submitted to the GEF for funding the implementation of NAPAs under the LDCF. This coincided with the period when the LEG in collaboration with the GEF and its agencies collaboratively worked together to address issues faced by LDCs in accessing resources from the LDCF. This collaboration included regional training workshops on the implementation of NAPAs that were conducted from 2009-2010.<sup>8</sup>

As at 16 March 2013, the GEF reported that of the 47 LDCs that have completed their NAPAs, 45 had officially submitted one or more NAPA projects to the GEF in the form of a project identification form (PIF). Twenty-five countries had submitted at least two projects and 10 had submitted three or more projects. The GEF indicated that, in total, 82 projects (comprising six medium-sized projects and 76 full-sized projects) had been approved by the GEF Council, with LDCF grants amounting to USD 357.85 million. Of the projects approved, 42 had been endorsed by the Chief Executive Officer of the GEF and are under various stages of implementation. The GEF further reported that, as at 31 August 2012, donors had pledged USD537.99 million to the LDCF, and that the new ceiling for each LDC for implementing NAPA projects had been set at USD 20 million, based on the principle of equitable access.

## ***2.3. Implementation of the remaining elements of the LDC work programme***

At its fourteenth session, the COP requested the GEF to facilitate the implementation of the remaining elements of the LDC work programme through the LDCF.<sup>9</sup> During its twenty-first meeting, and following a mandate from the COP, the LEG provided specifications on each of the elements of the LDC work programme as a way to facilitate their implementation. As yet, there has not been adequate recording on how far have these elements of the LDC work programme have been implemented.

# **3. THE NATIONAL ADAPTATION PLAN PROCESS**

## ***3.1. Envisioning the process***

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<sup>5</sup> GEF/C.19/Inf.7.

<sup>6</sup> Decision 3/CP.11.

<sup>7</sup> GEF/C.28/18, available at < <http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.28.18.pdf>>.

<sup>8</sup> FCCC/SBI/2010/15.

<sup>9</sup> Decision 5/CP.14, paragraph 2.

LDC Parties are currently advancing from addressing urgent and immediate needs through the NAPAs to medium- and long-term adaptation planning through the national adaptation plan (NAP) process.<sup>10</sup> The NAP process will build on the NAPA experience and address medium- and long-term adaptation needs. In order to reduce vulnerability to the impacts of climate change, by building adaptive capacity and resilience, and to integrate adaptation effectively into national planning, the NAP process will comprise the following four elements in an iterative manner:

- Laying the groundwork and addressing gaps;
- Preparatory elements;
- Implementation strategies;
- Reporting, monitoring and review.

Comprehensive assessment and planning activities will be required for each of these elements resulting in the production of national adaptation plans that would be monitored, reviewed and updated in an iterative manner. The design and implementation of these plans would build on existing and ongoing adaptation efforts, and would seek to integrate climate change into national development planning. The process will task LDCs with a major effort in cross-scale and cross-sectoral coordination and in the involvement of multiple stakeholders.

### ***3.2. Experiences and lessons from the NAPAs***

The following experiences and lessons from on the NAPA process in the LDCs would be essential in informing the design and delivery of support to the LDCs on the NAP process:

- (a) Prototyping implementation of concrete adaptation measures:** Many LDCs have developed useful insights into the design and implementation of concrete adaptation programmes and projects through the NAPAs. Many were projects, and small in size, leading to ideas for broader programmes and opportunities for easy scaling up efforts to cover more target communities and over time. The experience with working with implementing and executing agencies is also useful in the design of national implementation strategies. The technical capacity that was developed to prepare and implement NAPAs will be useful in supporting activities under the NAP process.
- (b) Country driven approach:** Country-driven approach proved useful and countries developed a NAPA largely based on their national circumstances. Locally defined criteria for ranking vulnerabilities and prioritizing project activities built confidence and buy-in across all stakeholders on the findings and the prioritized project. This facilitated the endorsement of the NAPA as a national document for communicating financial needs for the implementation of the urgent and priority needs;
- (c) Awareness:** NAPAs raised awareness on climate change at all levels or of government and the society in the LDCs, and built the base for national adaptation planning. The data and limited assessments are a good basis for more comprehensive assessment and planning. Many stakeholders were therefore able to use the NAPA as a basis for communicating the financial needs for addressing urgent and immediate priorities on their respective sectors;
- (d) Role of national and regional experts:** The NAPA process involved the establishment of multidisciplinary NAPA teams comprising of national experts from government agencies, civil society and local communities, to prepare the NAPA and coordinate its implementation. Such engagement of the national experts in the NAPA ensured a successful NAPA preparation process, and equally contributed to enhancing the experience and capacity of the national experts in

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<sup>10</sup> Decisions 1/CP.16, 5/CP.17, 12/CP.18.

addressing adaptation. Most importantly, the experience of the national experts in developing projects for funding under the GEF improved with time, which contributed towards developing project proposals that met the requirements of the GEF. However, in most LDCs, support for the NAPA teams ceased with the closure of the NAPA preparation phase, leading in many cases, to disbanding of the NAPA teams. For those LDCs that were able to maintain continuity in their NAPA teams, the implementation of projects tended to be smoother and more effective;

- (e) **The support provided by the LEG:** The support provided by the LEG in managing the GEF process for accessing resources from the LDCF through, inter alia, guides, tools, technical papers, reports, publications, databases, workshops and training activities proved effective and met the expectations of Parties;
- (f) **Role of the LEG in support, review and monitoring of the process:** The LEG worked together with the LDCs on the review and monitoring of progress in the NAPA process, both at the national levels through regular interactions and surveys to LDC Party representatives, including during Subsidiary Body sessions, and at the international level by collaborating with LDC Parties and the GEF and its agencies to discuss progress and bottlenecks encountered in financial resources from the LDCF, and to develop strategies to address them. To complete the exercise the LEG provided feedback through its regular reports on the meetings to the SBI for action, as appropriate;
- (g) **Partnership approach between the GEF, agencies and the GEF, with frequent dialogue to trouble-shoot:** The LEG together with the GEF and its agencies worked collaboratively, including through an established dialogue during LEG meetings, on exploring ways to effectively support LDCs in the implementation of their NAPAs, in particular with regard to the process for accessing funds from the LDCF in order to adequately respond to the urgent and immediate nature of NAPA priority activities and projects. This helped address some of the challenges encountered by the LDCs in accessing resources from the LDCF;
- (h) **Expedited/simplified GEF procedures, and in some cases, possible to really fast track approval of projects:** The simplified project cycle for LDCF projects has made it easier for LDCs to access funds under the GEF. Many concepts, such as co-financing adaptation projects, have been refined and simplified through the LDCF, leading to much simpler project formulations compared to regular projects under the GEF Trust Fund that have to show global benefits through incremental cost reasoning;
- (i) **Limited financial resources:** especially for the larger LDCs, to fully assess and address the needs of all sectors and all vulnerable regions of the country. Some countries were not able to fully address the entire sectors/country due to the limited amount of funding that was made possible for the preparation of NAPAs;
- (j) **Clear guidance at the onset on the implementation of NAPAs:** There is a recognition that since clear guidance on policy and project design was not provided at the early stages of NAPA preparation, most LDCs were not able to develop an implementation strategy at the NAPA preparation phase that matched subsequent guidance on the implementation of NAPAs under the LDCF;
- (k) **Many partners in the chain of support leading to many delays and misunderstandings:** Experience from the NAPA has shown that while the involvement of many partners in the chain of support to the LDCs can address some of the issues related to the capacity of LDCs to access resources, it also led to the slowdown of the process of the disbursement of the funds due to own internal procedures that each of the partners has to go through;
- (l) **High expectations, delay in action:** While NAPAs have raised the awareness of many stakeholders, in particular the most vulnerable communities, they have also raised their

expectations, and managing those expectations has become challenging for some LDCs. This has been due to the large gap between the completion of the NAPA and the commencement of implementation of project activities, mainly as a result of difficulties encountered in accessing resources from the LDCF;

- (m) **The NAPA process is an excellent foundation for the NAP process – both in terms of awareness, data and information, and the working relationships with stakeholders and agencies:** Despite the challenges, the NAPA process has built enormous capacity and awareness at the national levels for many LDCs, including working relationships with stakeholders and agencies, marking a positive step towards addressing adaptation. In addition, the lessons from the NAPA process so far have provided a concrete basis to accelerate efforts in the implementation of the urgent and immediate needs identified by LDCs in their NAPAs, as will also play a significant role in informing the NAP process.

### ***3.3. Support needs for the NAP process***

The LEG has identified the following support needs for the NAP process that will directly or indirectly require financing:<sup>11</sup>

- (a) Defining capacities for essential functions at the national level necessary to address adaptation, the identification of gaps based on an analysis of existing capacities and the implementation of strategies and activities to address the gaps;
- (b) Understanding of existing policies and how they address and enable climate change adaptation with a view to revising or designing new legislation and policies, where needed, to facilitate successful adaptation;
- (c) Design of research and systematic observations to support vulnerability and risk analysis and adaptation planning;
- (d) Data collection, management and archiving, and subsequent analysis covering all relevant sectors and disciplines, including analysis of observed and simulated climate data, and subsequent presentation of such data and analyses to various stakeholders to support decision-making;
- (e) Use of appropriate geospatial data management and analysis tools in managing data and information over space and time, to underpin assessments as part of adaptation planning and the iterative and ongoing nature of such assessments as part of the NAP process;
- (f) Analysis of climate data and the development and application of climate change scenarios in assessing climate change risks at the national, sectoral and local levels;
- (g) Design and conduct of vulnerability and adaptation assessments, including the development and application of assessment models, application of applicable decision support tools, such as cost-benefit analysis, and the ranking of adaptation options;
- (h) Development of strategies, projects and programmes to support the implementation of specific adaptation activities under the NAP process, taking into account existing adaptation efforts and how financing is being provided;
- (i) Synthesizing the best available science on climate change, as well as other forms of knowledge, and translating it into support for decision-making, including how to make such decisions considering the uncertainty of future climate change;

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<sup>11</sup> FCCC/SBI/2012/27, paragraph 19.

- (j) Integration of NAPs into national development plans and priorities, including by facilitating recognition of climate risks and the need for adaptation within relevant policies, integrating climate change vulnerability and risks in the formulation of policies, and prioritizing resource allocation to the areas, sectors or populations most at risk;
- (k) Access to information and experience of others in applying different technologies in adaptation to facilitate the selection, installation and operation of appropriate technologies for local problems;
- (l) Financial and technical support for the NAP process, including for the formulation and implementation of adaptation measures as well as identified gaps in capacity for successful adaptation planning;
- (m) Design and operation of innovative financing for climate change, including issues of direct access, absorption of funds and setting up trust funds and other national climate change funds;
- (n) Design of effective monitoring and evaluation systems, including for overall coordination of work at the national or sectoral levels, in defining objectives and targets, selecting indicators and means of verification, identifying data sources and collection methods, supporting data and information management, undertaking special assessments, and facilitating reporting and review;
- (o) Capture and management of knowledge on impacts, vulnerabilities and adaptations, to build up a decision-support system for future adaptation planning, including through the development of knowledge bases and expert or rule-based systems;
- (p) Development and deployment of communications, public awareness and outreach on adaptation and the facilitation of public access to information on climate change adaptation, including an easy to read short summary of the NAP process that could be used by the LDCs and translated into local languages;
- (q) Communication of up-to-date information on organizations, regional centres and networks that can provide support to the LDCs on the NAP process, including on financial support, technical guides and papers, and capacity-building;
- (r) Exchange of case studies, experiences, best practices and lessons learned in addressing adaptation at the national, regional and international levels;
- (s) Communicating the above needs through an international event that could bring together the LEG, LDC Parties, adaptation practitioners, organizations, development agencies, regional centres and networks, as a way to: set a stage for sharing information on the NAP process and how it will build on the NAPAs and fit in with other existing adaptation initiatives at the national level in LDCs; and to provide an opportunity for the LDCs to communicate their support needs for the NAP process, and to jointly discuss support activities for the LDCs for the NAP process with the entities mentioned in this paragraph.

#### ***3.4. Nature of support for the NAP process***

The NAP process is a continuous, progressive and iterative process. It will encompass all the arrangements necessary to develop the knowledge to support decision-making, and necessary capacity-building to facilitate all necessary actions for a strategic country-owned adaptation planning process. As with any planning process, the NAP process may have variable and specific outputs at given points in time, including comprehensive national adaptation plans, programmes and policies. The structure and form of these national adaptation plans will vary by country, and may include sectoral plans and sub-national plans to provide the necessary guidance in addressing adaptation needs where they matter. Support for the NAP process, including funding, therefore needs to fully embrace this nature of the NAP process in order to ensure its success.

## **Conclusion**

- LDCs will continue to require resources to fully implement their NAPAs, and the LDC work programme;
- Support for the NAP process, including its implementation should be predictable and continuous in order to ensure the success of the process;
- The LEG stands ready to share its experiences and technical capacity to support the implementation of the work programme on long term finance.