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Climate finance for the Least Developed Countries:

A future for the LDCF?

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Abstract

The Least Developed Countries Fund (LDCF) is a climate fund that was set up in 2001 at the seventh session of the Conference of the Parties (COP-7) to the United Nations Framework Convention on Climate Change (UNFCCC). The decision to establish such a dedicated fund for the 48 countries characterised as the poorest and weakest members of the international community stemmed from Article 4.9 of the Convention. This provision mandates all parties to “take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology” (UN, 1992).

In Paris, parties agreed that the LDCF shall support the implementation of the new agreement. Fifteen years after the LDCF’s establishment however, the fund—which relies on voluntary contributions from developed countries—is in a very precarious situation: it has been neglected to the point that there are no more resources available for LDCs to access. As the global finance architecture evolves, within and beyond UNFCCC boundaries, whether or not there is a role for the LDCF in the coming years is being questioned.

This working paper argues that despite challenges, the LDCF continues to be an important fund for LDCs and its future should be secured. In reviewing the context of the Fund’s establishment, its governance and operation structure and its active portfolio, it finds that the unique aspects of the Fund highlights its relevance and importance in the evolving climate finance landscape. Certain reforms, such as establishing a replenishment cycle, ear-marking, and direct access can address concerns raised about the LDCF and make it a fit-for-purpose, viable fund that plays a key role in the post-Paris climate regime.

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1. Introduction

The 48 countries categorised as Least Developed Countries (LDCs) are the only country grouping to be accorded a dedicated article in the text of the United Nations Framework Convention on Climate Change (UNFCCC). This is paragraph 9 of Article 4, which mandates all countries Party to the Convention to "take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology" (UN, 1992). The Conference of the Parties (COP)'s decision in 2001 to establish a fund explicitly for LDCs is therefore significant, as it not only reflected progress towards the implementation of this provision, but also affirmed the consistent need to address LDCs' unique circumstances. This call has now been reiterated in the Paris Agreement, adopted on 12 December 2015 (UNFCCC, 2016).

In Paris, Parties also agreed that the financial mechanism of the Convention, made up of the Global Environment Facility (GEF) and the Green Climate Fund (GCF) shall serve the new agreement. The LDCF, which is administered by the GEF, therefore has a role in supporting the implementation of the Paris Agreement as well. However, the Fund has been in a precarious state in the last few years. Because it relies on voluntary contributions, the scale of available resources in the Fund has been far from adequate to enable the fund to implement its mandate effectively. In the lead up to Paris, it was empty and a backlog of projects together worth almost US$255 million had accumulated. In order to send a strong signal of commitment at COP-21 to support developing countries, a number of developed country parties eventually contributed just enough resources to clear the pipeline. However, it's clear that the Fund's future remains uncertain. As the global finance architecture evolves, within and beyond UNFCCC boundaries, whether or not there is a role for the LDCF is questioned.

In this paper, we argue that despite challenges, the LDCF continues to be an important fund for LDCs and its future should be secured. The first section explains the context of the Fund's establishment, its current mandate and its status. We look at how the LDCF's governance and operational structure has been designed to fit the needs of LDCs in section 2, and provide a snapshot of the Fund's active portfolio in section 3. Based on this review, section 4 distils which aspects of the Fund has made it unique and proposes options to address challenges for a viable future LDCF in the post-Paris climate regime. We offer conclusions in section 5.

This is a working paper which continues to be updated as UNFCCC negotiations progress. The methodology used is adapted from Nakhooda (2013)'s framework for considering the effectiveness of international climate finance.

2. Context

Today, adaptation is one of the central elements of discussions on the global response to climate change. However, this was not always the case. In the early years of global climate policymaking, mitigation featured front and centre of discussions. The adaptation agenda on the other hand was considered not much more than a second thought, if not regarded distastefully as 'passive, resigned acceptance' of climate change, dangerously undermining mitigation efforts (Pielke 1998).

This all changed in 2001 however, when the Intergovernmental Panel on Climate Change released its third assessment report. The report warned of unavoidable impacts resulting from human-induced climate change, which vulnerable countries and communities would need to adapt to in order to cope (Huq and Ayers, 2009; Huq and Toulmin, 2006; Tenzing et al. 2015). Accordingly, in December that same year, the parties to the UNFCCC convened in Marrakech for COP-7 and took their first major steps in developing a comprehensive adaptation agenda. In doing so, they set up four new funding channels to support developing countries specifically in their adaptation efforts. One of these was the Least Developed Countries Fund; the others were the Strategic Priority "Piloting an Operational Approach to Adaptation" under the GEF Trust Fund, the Special Climate Change Fund (SCCF) and the Adaptation Fund (under the Kyoto Protocol).

3.1 Mandate

The LDCF, as its name suggests, is a dedicated fund for the 48 parties to the UNFCCC belonging to the UN's 'Least Developed Country' category. Its primary objective, as stated at the time of its establishment, has been to finance the preparation and full implementation of LDCs' National Adaptation Programmes of Action (NAPAs). These NAPAs (a process which was also launched at COP-7 and which by now all but one LDCs have submitted) were to serve as a simplified and direct channel of communication of information relating to LDCs' vulnerabilities to climate change, and urgent and immediate adaptation needs (UNFCCC, 2002; Tenzing et al., 2015). In addition, the Fund has had to support other elements of the LDC work programme (yet another outcome of COP-7), which, along with NAPAs and other actions, includes capacity building for LDC negotiators to engage in the UNFCCC process and to strengthen national climate change secretariats to enhance the implementation of commitments. Finally, at COP-16 in 2010, the Fund's mandate was further extended to support LDCs in the preparation of National Adaptation Plans to address medium- and long-term adaptation needs (UNFCCC, 2011).

3.2 The LDCF in the current UNFCCC finance architecture

The global climate finance architecture has continued to evolve since COP-7, within the boundaries of the UNFCCC and beyond. Up until 2010, the Global Environment Facility (GEF) was the sole entity entrusted with operating the financial mechanism of the Convention.[5] It followed that, upon the establishment of the LDCF and SCCF, the GEF was tasked with administering the two new funds, under the guidance of the COP. On the other hand, parties to the Kyoto Protocol decided that the Adaptation Fund, which although it was established in the same year only became operational eight years later, would be managed by its own board (the Adaptation Fund Board). Finally, in 2010, parties established the Green Climate Fund (GCF) to be a second operating entity of the UNFCCC's financial mechanism under the guidance of the COP, governed by the GCF Board. But unlike the GEF, which also serves as the financial mechanism of the other Rio Conventions[6], the GCF is a fund that supports the implementation of the UNFCCC exclusively.

Under the Paris Agreement adopted at COP-21, parties decided that the financial mechanism of the Convention, including its operating entities (meaning the GEF and the GCF) shall serve as the financial

[5] This relationship between the COP and the GEF, was agreed to in a memorandum of understanding (MOU) contained in decisions 12/CP.2 (UNFCCC, 1996).

[6] Along with the UNFCCC, the UN Convention on Biological Diversity and the UN Convention to Combat Desertification were the three Conventions that came out of the 1992 UN Conference on Environment and Development, or 'Earth Summit,' held in Rio de Janeiro. Besides these, the GEF is also the financial mechanism for the Stockholm Convention on Persistent Organic Pollutants, and the Minimata Convention on Mercury.

mechanism of the new agreement (UNFCCC, 2016). They also more explicitly agreed that the LDCF and SCCF are to serve the agreement in the decision within which it is contained (UNFCCC, 2016).

3.3 Status of the Fund

Prior to the last meeting of the LDCF/SCCF Council in October 2015, the LDCF Trustee (the World Bank) reported that a total of US$eq.963.66 million has been cumulatively pledged to the LDCF, and of this, US$eq.961.87 million has been paid (GEF, 2015d). At the time of reporting, US$849.44 million out of US$ 914.14 million worth of LDCF funding was approved by the Council and the CEO for projects and project preparation, US$82.25 million for fees and US$9.45 million for administrative expenses and corporate activities.

Since 2014, the GEF has been voicing concern that the demand for resources from the LDCF far exceed funds available (GEF, 2014d; Tenzing et al., 2015); while 35 projects sought funding totalling US$254.48 million in September 2015, resources amounting to only US$17.78 million were available for new funding decisions. It reported that pledges in the 2015 financial year totalled only US$29.04 million, a far cry from the US$ 175-225 million expected based on previous years' annual contributions (GEF, 2015g).

Following vigorous advocacy from LDC stakeholders, and as part of the collective effort to build trust and confidence of commitment among Parties in the Paris talks, eleven countries announced new pledges to the LDCF at COP-21 (GEF, 2015a). With these contributions, amounting to US$248 million, the Fund has been able to clear the backlog of projects in the pipeline. However, its status remains precarious, as there is still no funding to support future projects.

3. Governance and operations

As discussed, the LDCF was established to address the specific circumstances and needs of LDCs with regard to funding. This section reviews how its governance and operational structure has been designed to do this. It draws on COP decisions, including those establishing the Fund and giving guidance to its operations, as well as reports from the GEF to the COP on its LDCF-related activities. Three key GEF documents that have informed the review are the Programming Paper for Funding the Implementation of NAPAs under the LDC Trust Fund (2006a), the Updated Operational Guidelines (2012b), and the GEF Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and Special Climate Change Fund (2014a). These were developed in response to guidance received from the COP and the Least Developed Countries Expert Group (LEG) on how the LDCF should function. The section ends with a commentary on which aspects of the Fund's structure have worked well and what has worked less well, informed by evaluations conducted thus far and discussions with LDC stakeholders.

3.1 Administration and decision-making

The GEF, as an operating entity of the UNFCCC's financial mechanism, must report annually to the COP on all the activities it has supported to implement the Convention. Because it is also charged with administering the LDCF and the SCCF, information on LDCF- and SCCF-financed efforts is included in these reports. The LDCF and the SCCF share the same operational policies and procedures as the GEF Trust Fund unless the COP decides otherwise, and also have the same Trustee (the World Bank). However, the two funds are kept separate from the GEF Trust Fund (and each other): both are governed by their own joint council but each has its own mandate and programme of work.

The LDCF/SCCF Council's primary responsibility is to develop, adopt and evaluate LDCF (and SCCF) policies and programmes and approve funding decisions. It meets twice a year, back to back with the meetings of the GEF Council. There are 32 members in the GEF Council, each representing a single country or a constituency. 14 constituencies are made up of one or more developed countries (donors); 16 constitute developing countries (recipients) and two represent countries with economies in transition (recipients).

Any GEF Council member can participate in the LDCF/SCCF council or attend as an observer. Because developing country constituencies contain both LDCs and non-LDCs however, LDC representation at the LDCF/SCCF Council meetings is not straightforward. LDCs may be the representative of the constituency they belong to; if they are not, their views are expressed by the non-LDC member of their constituency. At the time of publication, only four LDCs were listed as Council Members and five as Alternates on the GEF website.

Representatives of the 183 GEF participant countries are also invited to attend Council meetings, along with those of civil society organisations, GEF Agencies[7], the Trustee, the GEF Scientific and Technical Advisory Panel,[8] the GEF Independent Evaluation Office (IEO)[9] and other Environmental Conventions[10]. Decisions are typically made by consensus, but the Rules of Procedure dictate that if consensus cannot be achieved, a formal vote by the LDCF/SCCF Council will be taken (GEF, 2006b). This will be conducted by a double weighted majority, based on an affirmative vote representing both a 60 percent majority of

[7] GEF Agencies are responsible for developing project proposals and managing projects and have direct access to the LDCF. There are currently 18 GEF Agencies, including the eight that have so far managed LDCF projects: the Asian Development Bank (ADB); the African Development Bank (AfDB); the Food and Agriculture Organisation (FAO); the International Fund for Agricultural Development (IFAD); the United Nations Development Programme (UNDP); the United Nations Environment Programme (UNEP); the United Nations Industrial Development Organisation (UNIDO) and the World Bank.

[8] The STAP provides objective, strategic, scientific and technical advice on GEF policies, operational strategies, programmes and on projects and programmatic approaches. For further information, see: https://www.thegef.org/gef/STAP

[9] The GEF Independent Evaluation Office (IEO) sets minimum requirements for M&E, ensures oversight of the quality of M&E systems at programme and project levels, and shares evaluative evidence within the GEF. For further information, see section 3.6 and: https://www.thegef.org/gef/about-ieo

[10] The GEF also serves as the financial mechanism for the Convention on Biological Diversity, the UN Convention to Combat Desertification and Land Degradation, the Stockholm Convention on Persistent Organic Pollutants, and the Minamata Convention on Mercury. For further information, see: https://www.thegef.org/gef/whatisgef

GEF Participants represented on the Council and a 60 percent majority of the total contributions to the Fund in question.

The LDCF/SCCF Council must act on COP guidance (contained in relevant COP decisions). Its work (specifically regarding the LDCF) is equally informed by advice from the Least Developed Countries Expert Group (LEG), a 13-member body under the UNFCCC (also established at COP-7) that provides technical support and advice to LDCs on NAPAs, NAPs and other elements of the LDC work programme.

3.2 Resource mobilisation

LDCF capitalisation depends on voluntary contributions of finance from developed countries, and does not follow a regular replenishment cycle. To date, the largest donors out of the 25 countries that have contributed to the Fund have been Germany, the United Kingdom and the United States (GEF, 2015d). It is also worth noting that in December 2015, at the margins of COP-21, Canada's Province of Quebec pledged CA$6 million to the LDCF; this announcement represented a first to be made to a multilateral climate fund by a sub-national government (GEF, 2015h).

3.3 Allocation strategy

All LDCs are eligible for support from the LDCF, as long as they are party to the UNFCCC and have submitted a NAPA. If they have not yet submitted a NAPA, they are able to receive support from the Fund for the preparation of one (as is currently the case for South Sudan, which only recently joined the LDC Group) (GEF IEO, 2014). All LDC parties have tapped into the LDCF to date, in addition to three countries that have since graduated from the LDC category.

The LDCF programming strategy includes a principle for balanced access. This principle reflects the reality that the level of human and institutional capacity to absorb and manage funds varies greatly even among members of the LDC Group (Gaspar-Martins, 2015; Tenzing, et al., 2015). Therefore, rather than disbursing resources on a first-come, first-served basis, the LDCF puts a cap on the amount each eligible country can receive to ensure that available resources are allocated equitably. This ceiling is raised over time, as the Fund grows; while countries were able to access only up to US$3 million each at the time the LDCF became operational, the amount they are cumulatively able to receive today has risen to US$40 million. The principle of balanced access as a result also ensures that LDCF resources are released in a manner that reflects the geographic distribution of the 48 LDCs.

Funding is disbursed in the form of grants, but projects must fulfil a co-financing requirement in order to receive support. The reasoning behind project proponents having to demonstrate co-financing is to acknowledge the importance of adaptation actions to be undertaken in a manner that supports sustainable development and poverty eradication efforts, rather than in isolation (GEF, 2006a, Tenzing et al., 2015). LDCF-financed activities and NAPAs more broadly, therefore, would be in line and integrated with the national development policies, plans, programmes, projects and actions of each recipient country.

The level of co-financing required varies from project to project; it is determined through the identification of baseline scenarios and baseline costs, and adaptation scenarios and adaptation costs (GEF 2012a, 211, 2006a). The baseline costs represent what is needed to support business-as-usual development, i.e. actions that would happen or be needed even in the absence of climate change. It is these costs for which co-financing from resources outside of the LDCF must be made available. The LDCF on the other hand, will provide finance to top-up development financing in order to cover the full *additional* costs arising from an adaptation scenario – in other words, the costs that are associated with the extra action needed to address the adverse impacts climate change has on the development intervention in question. Sources of co-financing can include bilateral or multilateral development assistance, government budget lines, contributions from NGOs or community groups and even in-kind contributions (GEF 2012b).

3.4 Project cycle

Early COP guidance for the operation of the LDCF called for the Fund to provide expedited support to LDCs, given the urgency and immediacy of adapting to the adverse effects of climate change (UNFCCC, 2006, 2004). Accordingly, the GEF set up an expedited modality for reviewing and approving projects on

a rolling basis (GEF, 2006a). This allows the LDCF project cycle to be more streamlined than that of the GEF Trust Fund (GEF, 2011).

Project proponents must first partner with a GEF Agency (which submits the application for LDCF financing, and works closely with the applicant country throughout the project cycle and implementation). Full-sized projects (requesting more than US$ 2 million from the LDCF) require a Project Identification Form (PIF), which is reviewed by the Secretariat and subsequently approved by the LDCF/SCCF Council on a no-objection basis. The project is then developed fully and crafted into a Full Project Document (FPD), and reviewed by the Secretariat. Once this is endorsed by the GEF CEO, funding is released and the project is ready for implementation.

Medium-sized projects (requesting less than US$2 million of LDCF-financing) follow a further streamlined cycle by skipping the PIF stage (GEF, 2011). Project proposals can be directly developed into FPD form for approval by the GEF CEO. For both full- and medium-sized projects, applicants may request a project preparation grant. If this is done for a medium-sized project, however, the submission of a PIF is also required.

A project concept enters the LDCF pipeline once basic criteria are met (this is usually determined by the PIF). These deal broadly with: assessing the adaptation benefit and additional cost argument to a business-as-usual development intervention; whether the project respond to priorities identified in the country's NAPA; whether the project complements existing ones in the area/sector and/or avoids duplication; and the indicative budget (GEF, 2011). Entry into the pipeline signals that the proposed project is consistent with the LDCF's mandate. In addition, it allows the GEF to keep track of financing requests and earmark available resources, while respecting the principle of balanced access (GEF, 2006a).

3.5 Programmatic approach

The LDCF follows a programmatic approach to funding for the implementation of NAPAs similar to that applied by the GEF Trust Fund. The objective of this approach is to secure large-scale and sustained impact on adaptation, through the implementation of medium to long-term strategies for achieving specific adaptation objectives that are consistent with recipient countries' NAPAs (GEF, 2012b). Resources are thus disbursed at a larger scale, in order to support numerous individual but interlinked projects in countries and regions, with enhanced accountability and oversight. (GEF, 2012b, 2011). The GEF states that programmes can provide an opportunity for interested donors or other partners (including the private sector) to invest additional, focused funding towards achieving the same impacts (GEF, 2012b).

3.6 Monitoring, evaluation and learning

As with the SCCF, the LDCF follows the GEF Trust Fund's Monitoring and Evaluation (M&E) Policy and objectives, to promote accountability for achieving results, promote learning and knowledge sharing, and inform decision-making for the project or programme throughout implementation. However, the LDCF's M&E processes also have a few differences specific to its adaptation mandate (GEF IEOa, 2014). The first relates to the focus of the M&E activities, which is to determine how far the projects or programmes have contributed to adaptation and reducing vulnerability to climate change. The second is that the M&E activities cover how project or programme baselines are set (in order for the Fund to finance the additional costs of adaptation, as discussed in section 3.3). Finally, it differs from the GEF Trust Fund in its use of the LDCF/SCCF results-based management (RBM) framework, which includes a set of indicators designed to monitor and evaluate adaptation projects specifically.

The LDCF/SCCF Council provides strategic and policy direction for the LDCF, and in doing so sets the Fund's overall M&E framework in accordance with its programming priorities. The GEF Secretariat supports the LDCF/SCCF Council in determining how progress towards achieving fund-level objectives and results should be monitored according to the LDCF/SCCF RBM framework. It prepares LDCF/SCCF Progress Reports twice a year, to document expected results of LDCF-SCCF-financed projects. It also submits Annual Monitoring Reviews to capture, analyse and report on portfolio-level performance, actual results and lessons learnt. These are informed by the project implementation reports, mid-term reviews, project completion reports and terminal evaluations, among other information provided by the relevant GEF Agency (GEF IEO, 2014a). Similarly, the GEF Independent Evaluation Office (IEO) helps the

Council decide how these results should be evaluated. The IEO, working independently from the Council, the Secretariat and GEF Agencies, sets the minimum M&E requirements for the LDCF, ensures quality oversight of M&E practices, and promotes knowledge sharing based on evaluative evidence. The Office reports on the LDCF's performance and other evaluation issues every year. The first LDCF/SCCF Annual Evaluation Report came out in 2014.

The GEF Agency working on the LDCF project or programme is responsible for M&E activities (including planning and budgeting for them) at the project- or programme-level. At the proposal stage, the Secretariat reviews projects and programmes to ensure they meet the minimum M&E requirements. Once a project or programme is approved, the Agency is responsible for producing RBM reports to monitor progress towards results, including the annual Project Implementation Reports, Midterm Reviews and Project Completion Reports. The GEF Agency must also submit a Terminal Evaluation to the GEF IEO within twelve months of project completion.

The Secretariat, GEF Agencies and GEF IEO work together to share evidence generated from M&E activities at all levels and stages, to inform decision-making, follow up on evaluation recommendations and develop a knowledge base of lessons learnt and best practices (GEF IEO, 2014a). M&E outputs and lessons are disseminated widely, including to LDCF partners, stakeholders at country-level, civil society and the general public.

Results framework

The RBM framework (updated in 2014) is structured around three strategic objectives (with corresponding outcomes and indicators): i) to reduce the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change; ii) to strengthen institutional and technical capacities for effective climate change adaptation; iii) to integrate climate change adaptation into relevant policies, plans and associated processes (GEF, 2014d)). The GEF (2014d) notes that the third of these objectives represents the most significant departure from the previous results framework; it was added to capture the Fund's extended mandate to support the NAP process. Projects seeking approval are requested to specify which one or more of these objectives and their corresponding outcomes they would contribute.

Table 1: LDCF results framework (GEF, 2014d)

Goal	**Increase resilience to the adverse impacts of climate change in vulnerable developing countries, through both near- and long-term adaptation measures in affected sectors, areas and communities; leading to a reduction of expected socio-economic losses associated with climate change and variability.**
Objective 1	**Reduce the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change**
Indicator 1	Number of direct beneficiaries
Outcome 1.1	*Vulnerability of physical assets and natural systems reduced*
Indicator 2	Type and extent of assets strengthened and/or better managed to withstand the effects of climate change
Outcome 1.2	*Livelihoods and sources of income of vulnerable populations diversified and strengthened*
Indicator 3	Population benefiting from the adoption of diversified, climate-resilient livelihood options
Outcome 1.3	*Climate-resilient technology and practices adopted and scaled up*
Indicator 4	Extent of adoption of climate-resilient technologies/practices
Objective 2	**Strengthen institutional and technical capacities for effective climate change adaptation**
Outcome 2.1	*Increased awareness of climate change impacts, vulnerability and adaptation*
Indicator 5	Public awareness activities carried out and population reached
Outcome 2.2	*Access to improved climate information and early-warning systems enhanced at regional, national, sub-national and local levels*
Indicator 6	Risk and vulnerability assessments, and other relevant scientific and technical assessments carried out and updated
Indicator 7	Number of people/geographical area with access to improved climate information services

Indicator 8	Number of people/geographical area with access to improved, climate-related early-warning information
Outcome 2.3	*Institutional and technical capacities and human skills strengthened to identify, prioritise, implement, monitor and evaluate adaptation strategies and measures*
Indicator 9	Number of people trained to identify, prioritize, implement, monitor and evaluate adaptation strategies and measures
Indicator 10	Capacities of regional, national and sub-national institutions to identify, prioritize, implement, monitor and evaluate adaptation strategies and measures
Objective 3	**Integrate climate change adaptation into relevant policies, plans and associated processes**
Outcome 3.1	*Institutional arrangements to lead, coordinate and support the integration of climate change adaptation into relevant policies, plans and associated processes established and strengthened*
Indicator 11	Institutional arrangements to lead, coordinate and support the integration of climate change adaptation into relevant policies, plans and associated processes
Outcome 3.2	*Policies, plans and associated processes developed and strengthened to identify, prioritize and integrate adaptation strategies and measures*
Indicator 12	Regional, national and sector-wide policies, plans and processes developed and strengthened to identify, prioritize and integrate adaptation strategies and measures
Indicator 13	Sub-national plans and processes developed and strengthened to identify, prioritize and integrate adaptation strategies and measures
Outcome 3.3	*Systems and frameworks for the continuous monitoring, reporting and review of adaptation established and strengthened*
Indicator 14	Countries with systems and frameworks for the continuous monitoring, reporting and review of adaptation

3.7 Discussion

The LDCF governance and operational structure has been designed to reflect COP guidance over the years, in a manner that takes into account the special situations of the LDCs. Features unique to the Fund as compared to the GEF Trust Fund deal with its adaptation mandate, eligibility, equitable access, grant-based funding, and a streamlined project cycle, among others.

The fact that the LDCF is a fund that only LDC parties to the UNFCCC are able to access is significant. This eligibility criterion acknowledges that LDCs are not in a position to 'compete' for finance for climate change actions against other, more capable developing countries. Indeed, OECD data on public finance for climate change activities shows that most finance flows to middle income countries, with Brazil, China, India, Morocco, South Africa and Turkey receiving as much as all LDCs put together (OECD, 2015; Rai et al., 2015). It should also be noted that the LDCs are the only country grouping under the UNFCCC to have a dedicated fund; Parties have explicitly agreed that the operation of the LDCF shall not set a precedent for other funding arrangements under the Convention (UNFCCC, 2006).

It follows that LDC stakeholders have also hailed the LDCF's principle of equitable or balanced access, where funding is not disburse on a first-come, first-served basis. This principle reflects the reality that the level of human and institutional capacity to absorb and manage funds varies greatly even among members of the LDC Group. Respecting this principle means that eligible parties have not had to compete for resources from the LDCF amongst themselves (Gaspar-Martins, 2015).

The significance of the Fund's adaptation mandate should neither be forgotten. A report by the OECD found that despite the global community's efforts to increase funding for adaptation, the vast majority of climate finance flows, from both public and private sources, support mitigation activities; in the 2013-14 period, only 16% of funding was allocated towards adaptation activities (OECD, 2015). This figure would lower still, if funding delivered through instruments other than grants were not counted. Indeed, given that LDCs continue to emphasise the importance of grant-based public finance for adaptation, the fact that the LDCF disburses resources exclusively through grants is also a critical characteristic of the Fund.

However, LDCF governance and administration have come across as lacking in transparency and having limited LDC involvement in decision-making, due to the Fund's complicated institutional arrangements. LDC voice on the Council is limited, even if the UNFCCC's LDC Chair is invited to give remarks at council meetings. Moreover, the process of applying for and accessing resources and developing, implementing, monitoring and evaluating LDCF-financed projects is not straightforward. Most of the responsibility lies with GEF Agencies, which receive LDCF resources directly from the Trustee, submit applications for funding to the GEF, and are accountable to the GEF. Other than being able to decide which GEF Agency to work with, LDC stakeholders have little say about the way resources are managed or projects are implemented (COWI and IIED, 2009; Uprety, 2015).

A similar criticism has been made about LDCF procedures; particularly in the early years of its operations, they have been seen as too complex (COWI and IIED, 2009; LDC Group, 2012; Uprety, 2015). This is especially true for the Fund's co-financing requirements and approach to identifying baseline and additional costs. The GEF states that the LDCF's co-financing approach "has the potential of having a greater impact, taking advantage of synergies and achieving the benefits of the economies of scale" (GEF 2012b, p. 7). It furthermore argues that having stakeholders and direct beneficiaries help raise resources for co-financing fosters greater project ownership and sustainability, and therefore, better results (2006 programming paper). Yet, it emerged over the years of the Fund's operations that this requirement caused confusion, proved difficult to fulfil and resulted in project delays (Gaspar-Martins, 2015; Uprety, 2015; COWI and IIED, 2009). As recently as at COP-17 in 2011, Parties requested the GEF to further clarify the concepts of project baselines and additional costs of adaptation, and how they are applied to LDCF programming (UNFCCC, 2012). The GEF responded to this guidance and issued further guidance documents; however, these explained that the concepts' meanings had not changed since their introduction.

LDC stakeholders have voiced that these complex procedures have also affected the length of time it takes them to obtain resources to implement NAPA actions (which, by definition, are priority adaptation actions) (LDC Group, 2015, 2014a, 2012; COWI and IIED, 2009). This issue has of course been aggravated in recent years by the fact that there have been no resources available in the Fund and the backlog of projects in the pipeline continues to increase. Although this concern is reflected in COP guidance to the Fund adopted between 2006 and 2012, the LDCF did not make operational changes to speed up the process by which LDCs access funding in this period (GEF, 2012b). Additional efforts and ways to expedite the project cycle continue to be considered by the GEF, however (GEF, 2012b; 2014b, GEF IEO, 2016).

In the next section, we take a look at the LDCF's active portfolio to see how the Fund has been delivering its mandate since it became operational in 2002.

4. Portfolio review

The LDCF became fully operational in 2002. In the first phase of its work, the Fund supported LDCs in preparing their NAPA documents; it then moved on to support NAPA implementation, followed by other elements of the LDC work programme and the NAPs process. By 2008, LDCF resources had been committed for NAPA preparations in most LDCs; the final three proposals were submitted in 2012 and 2013. The first national project contributing to NAPA implementation was approved in 2006, while LDCF activities at the global and regional levels (focusing on NAPs and elements of the LDC work programme, among other issues) began entering the LDCF pipeline in 2013.

The following is a snapshot of the portfolio of projects that have to date been cleared for implementation (i.e. that have received CEO endorsement). It is informed by data gathered using available project documentation on the GEF website, in particular PIFs,[11] as well as LDCF/SCCF Progress Reports and Annual Monitoring Reports prepared by the secretariat, Annual Evaluation Reports submitted by the GEF IEO, and other independent evaluations of the LDCF. Specific examples are drawn from six available terminal evaluations for projects in Bhutan, Burkina Faso, Cambodia, the Gambia, Sudan and Zambia.

4.1 Resource distribution and management

To date, the LDCF has approved US$842 million for 213 national, regional and global projects (GEF, 2016a). 70.1% of the national projects are based in the African region, 28.4% in Asia and the Pacific and 1.5% in Haiti, the only LDC in the Latin America and Caribbean region. As intended by the Fund's principle of balanced access, the regional distribution of LDCF-supported projects and LDCF funds reflects the geographic distribution of the 48 LDCs (see Figure 1). Benin, Afghanistan, and Comoros have been approved for the most LDCF funding to date. However, if a proposal recently submitted by the Democratic Republic of Congo for US$22 million is endorsed, DRC will have accessed all of its US$40 million share of LDCF resources until the ceiling is raised once more (GEF, 2016a). In contrast, the countries that have accessed the least amount of resources (excluding those which have since graduated from the LDC category) are South Sudan, Equatorial Guinea and Haiti. South Sudan, as the newest member of the LDC Group, is still in the process of formulating its NAPA. LDCF resources (amounting to almost US$25 million) were furthermore committed to seven projects in Cabo Verde, the Maldives and Samoa. These countries have since graduated from the LDC category.

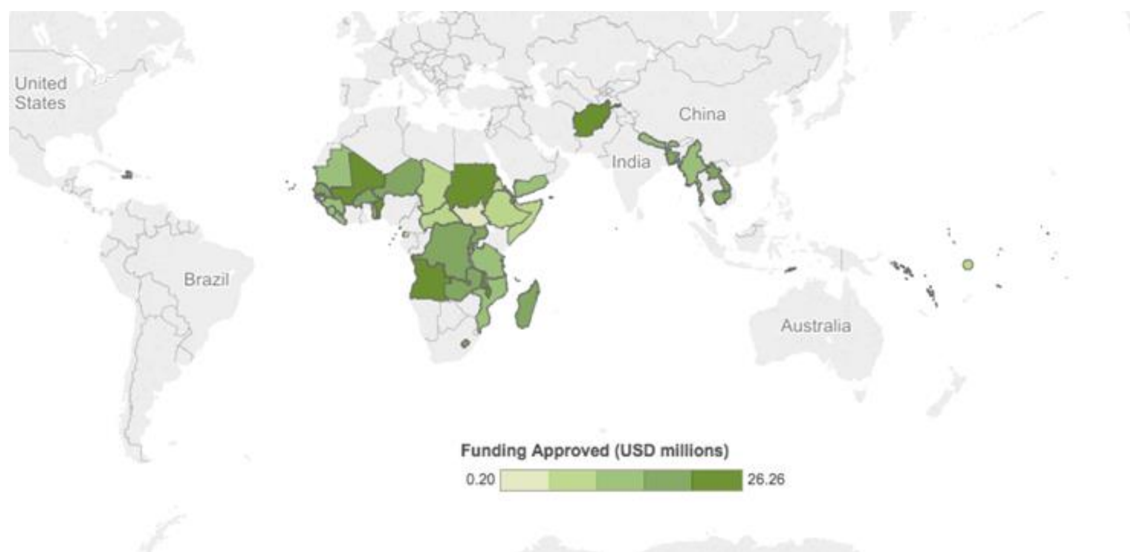

Figure 1: Geographical distribution of approved LDCF funding (Climate Funds Update, 2016)

[11] At the time of writing, 10 projects were labelled as complete, 47 were under implementation, 8 were CEO approved, 95 were CEO endorsed, 29 were Council approved, 14 were IA approved, and 1 was PPG approved. The documentation available for each varied. For 80 projects the PIF was used to extract information from. Of the 204 projects, 25 projects had no documentation and one project had a single page document that was not sufficient for analysis.

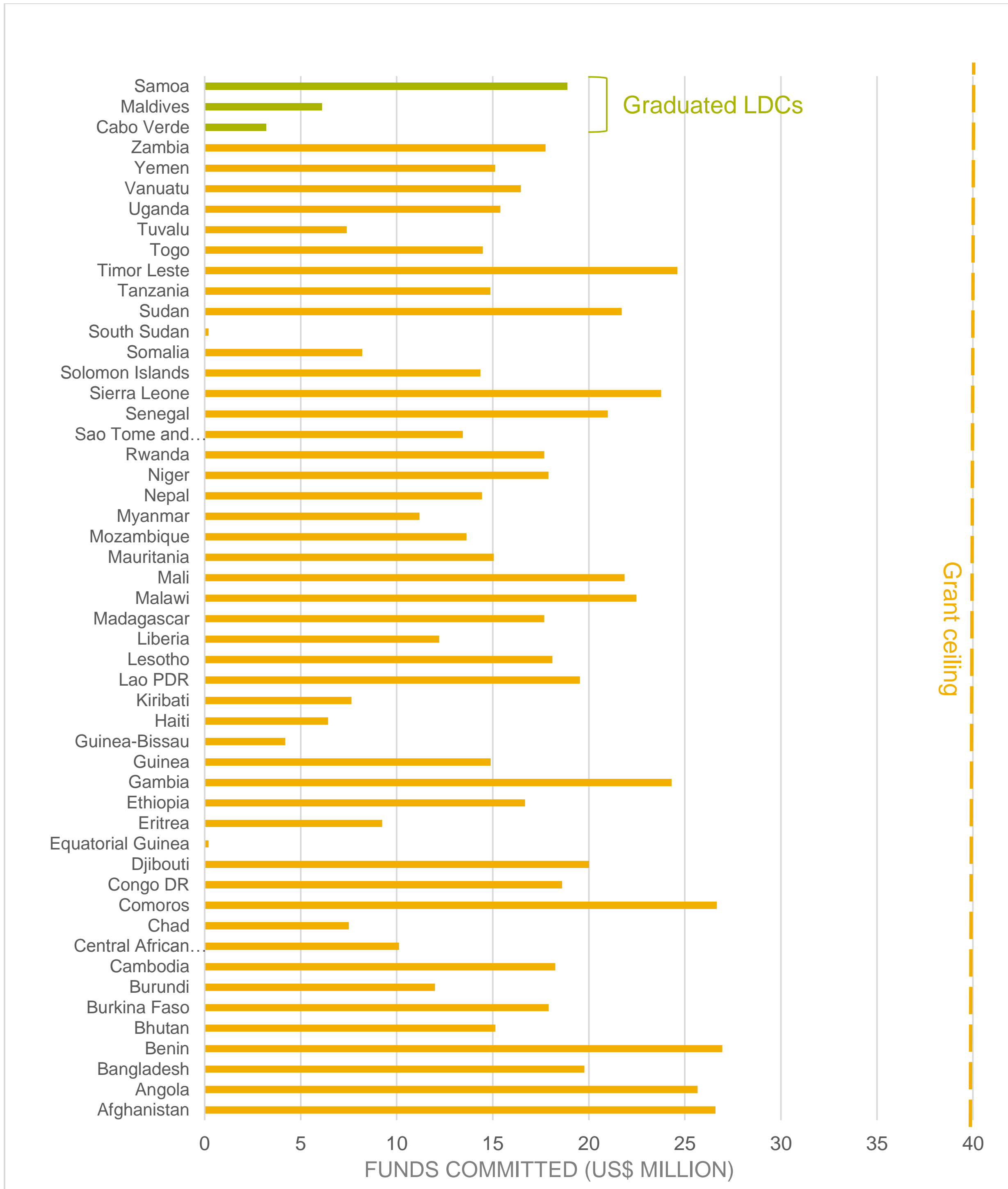

Figure 2: LDCF resources committed by country

The GEF Agency that has been responsible for implementing the vast majority of projects so far is the United Nations Development Programme (UNDP), followed by the United Nations Environment Programme (UNEP). The Food and Agriculture Organisation (FAO), the African Development Bank (AfDB), the International Fund for Agricultural Development, the World Bank and other agencies have together implemented about one quarter of projects to date. However, the UNDP and UNEP manage smaller projects, averaging $4.10 million and $3.32 million respectively, and have led most NAPA preparation projects (GEF IEO, 2016). By comparison, the World Bank and AfDB have projects worth on

average US$7.16 million and US$7.45 million, respectively; the World Bank led only two NAPA preparation projects (GEF IEO, 2016).

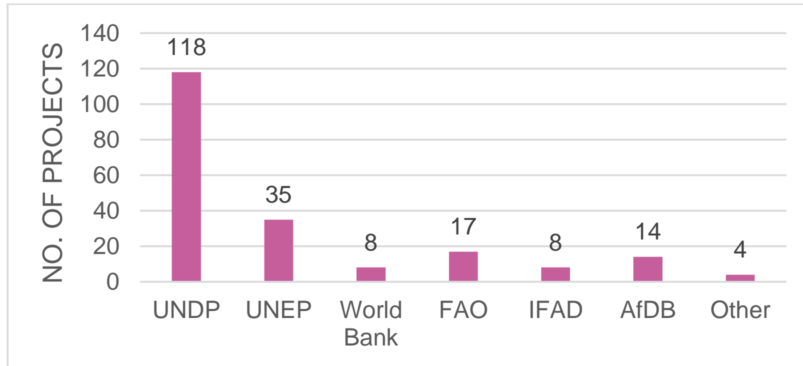

Figure 3: LDCF project distribution by GEF Agency

4.2 Activities across scales

Although the LDCF has predominantly financed national projects, its mandate and operations have allowed for the provision of support to LDCs at regional and global scales as well. It has approved US$787.5 million for 204 national projects, US$41.4 million for four regional and US$13 million for five global projects (GEF, 2016a).

The size of LDCF grants for the 204 national projects ranges from US$190,000 to over US$12.3 million (see figure 4). Out of these, 51 (amounting to US$12.20 million worth of LDCF grants) have focused on NAPA preparations with each receiving US$200,000 or less. The rest have accessed between US$1 million and less than US$10 million, with only three supported by US$10 million or more of LDCF financing. The average LDCF grant size, excluding those supporting the formulation of NAPAs, has been approximately US$5.08 million since 2008 (when the first project to implement NAPA priorities was approved).

The four regional projects have received an average of US$10.35 million each of LDCF financing. Three global projects were medium-sized (less than US$2 million), although one received very close to US$2 million in LDCF grants while the other two accessed only US$ 211,000 and US$ 634,000. The two full-sized global projects were approved for US$4 million and US$6.2 million in LDCF financing. Two global projects (for which the LDCF has contributed US$ 8.2 million in total) address NAP preparations and one (supported by US$4 million of LDCF financing) focuses on other elements of the LDC work programme (GEF, 2016a).

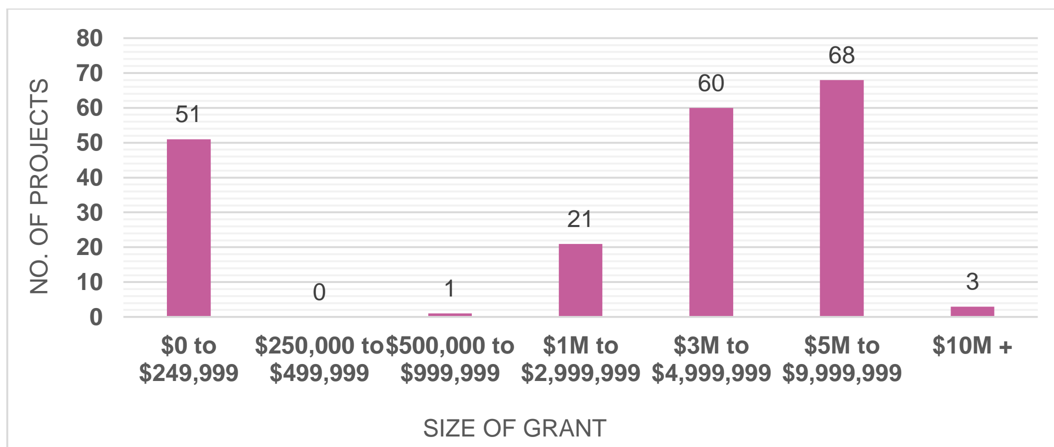

Figure 4: Project count per grant size

While the LDCF projects are categorised either as national, regional or global, the portfolio review reveals that most national projects also include a sub-national or local element. Many support community-based adaptation or focus actions on one or two regions within a country, target specific communities or vulnerable groups, such as women, or involve local community-based organisations (GEF IEO, 2014)). The completed project in Cambodia, for instance, was designed with two outcomes at the local level; it sought to improve the capacity of local institutions to manage agricultural water resources in 16 communes in two provinces and introduce locally appropriate options for adaptation. The terminal evaluation describes strong involvement in and support from local government and beneficiaries for project implementation.

Most national projects likewise have a component related to the integration of climate change adaptation into the development policies, plans and frameworks, and decision-making processes of their respective countries. Integration efforts are furthermore promoted across sectors, including disaster risk management, water resources management and agriculture (GEF, 2015c). This is true also for projects that were approved before the LDCF/SCCF Council revised the RBM framework to reflect the Fund's extended mandate to support the NAPs process.

4.3 Supporting capacity building, public awareness and learning

Capacity building features often and centrally in the LDCF project portfolio. Many projects contain aspects of individual capacity building, through targeting trainings for vulnerable groups on innovative approaches. For example, the completed project in Sudan focused on training small-scale farmers and pastoralists on improved water harvesting techniques, small-scale irrigation techniques, new heat resistant plant varieties and commercial crops, among others. The majority of projects also have a focus on institutional capacity building, in particular to support the integration of climate change adaptation in national or sub-national policies, plans and strategies. The Gambia's completed project, for instance, focused on improving climate change information services and early warning systems and thus enhance the government's capacity for more informed decision-making, including on the integration of climate change considerations in national planning.

Activities to raise public awareness on climate change issues are frequently included in project design. The completed project in Zambia addressed the need to raise the level of awareness of rural populations in the project sites, including local and national government, on impacts of climate change, in order to achieve its objectives.

Many projects also place importance on learning objectives and the dissemination of lessons. These were often mentioned with the intention to replicate or scale up activities in other regions in the country. In Bhutan, lessons from the project were not only disseminated within the country but also shared with partners in the SAARC region as well as bilateral and multilateral development partners.

4.4 Potential for replicating and scaling up actions

About two thirds of proposals that contribute to NAPA implementation include an explicit intention to scale up or replicate the project if it achieves the desired or expect results and further financing can be accessed (through the LDCF or other sources). Many label themselves as 'pilot' projects for new adaptation solutions in the country or region, and are designed in ways that lay the foundations for continuing or replicating them in future. Indeed, activities contributing to this groundwork include those described above, such as enhancing knowledge and public awareness on climate change issues, targeted training, institutional capacity building, and integrating adaptation in policies and plans of climate-sensitive sectors (GEF, 2015c). The introduction of new technologies also contributes to scaling up and replication potential; this is a component which more than half of the project proposals in the LDCF portfolio have.

4.5 NAPA alignment and stakeholder participation

LDCF review criteria require that projects demonstrate evidence of country ownership. This is in part determined by the extent to which a country's NAPA is in line with its development agenda, and how far the project being proposed corresponds to the priorities identified in the respective country's NAPA. Accordingly, GEF IEO evaluations have found LDCs' NAPAs to generally be well aligned with the national policies, plans and strategies of their respective countries (GEF IEO, 2016). Similarly, LDCF-financed

national projects have been consistent with priority actions identified in the NAPAs. An analysis of LDCF financing by sector shows that 31% of LDCF resources committed by September 2015 were directed towards enhancing resilience of agriculture and food systems, and 12-18% each for the natural resources management, coastal zone management and water resources management sectors (GEF, 2015f). These results are consistent with the information in LDCs' NAPAs: agriculture is identified as the key adaptation priority in 96% of NAPAs submitted thus far, followed by water resource management (87%) and natural resource management (78%) (GEF IEO, 2014).

The Fund likewise considers stakeholder engagement as key for enhancing national ownership and requires project proposals to demonstrate evidence of this as well. Accordingly, an intention to involve stakeholders during various stages of the project cycle is visible in all project proposals. Projects that have been completed to date describe positive results in this regard. Among lessons learnt included in the terminal evaluation for the Burkina Faso project is that country ownership and involving beneficiary communities in planning, implementation, resource management and activity monitoring had positive effects on the project's success, especially in terms of adoption of innovations, and sustainability of results (GEF IEO, 2015). Similarly, Bhutan found that their project's national ownership, stakeholder participation and effective implementation increased not only because it was in line with national needs and priorities but also as a result of tangible deliverables selected by the direct beneficiaries of the project themselves (GEF IEO, 2015).

4.6 Discussion

Challenges arising from voluntary contributions

As LDCF evaluations have underlined, the voluntary nature of the Fund has greatly affected the scale and predictability of available resources, and consequently, its ability to fulfil its objectives (GEF IEO, 2016; COWI and IIED 2009). The primary mandate the COP assigned to the LDCF when it established the fund was to support LDCs in preparing and implementing their NAPAs. These NAPAs, which were to be in line with LDCs' own policy agendas, were to serve as a simplified and direct channel of communication of information relating to their vulnerabilities and adaptation needs. In order to access LDCF grants for adaptation interventions, countries have to first complete their NAPA country reports.

Although the NAPA preparation process took time (LDCs on average took almost four years to complete their reports (COWI and IIED, 2009)), the LDCF has successfully supported all LDCs in this work. This represents quite a significant achievement because for many LDCs, NAPA preparation projects were the first experience in climate change adaptation planning (COWI and IIED, 2009); the NAPA documents thus resulted in clear political statements of adaptation needs and priorities, and were a first step to enabling future adaptation action in LDCs. Indeed, the Fund has since been committing resources towards projects that support the implementation of these NAPAs. Besides South Sudan which is still in the process of developing its NAPA, Equatorial Guinea is the only country that has yet to access grants from the LDCF following the completion of its NAPA.

The Fund is far from being able to support the full implementation of these NAPAs, however. The LEG estimated that the full cost of implementing all of the LDCs' NAPAs amounts to approximately US$2 billion (LEG, 2009). Moreover, it acknowledged this figure to be very conservative as it is based on early NAPA submissions that had a tendency to underestimate adaptation costs. Possible reasons for the low estimation of NAPA costs include a misinterpretation of GEF guidance that each LDC will only be able to access US$3 million from the LDCF, which was the grant ceiling at the time. Another was the influence of a then applied sliding scale which determined the level of resources that would be needed to co-finance projects; because projects with higher cost estimates required higher, and less achievable, levels of co-financing, it was assumed that several LDCs had downscaled the cost estimates of some or all of their NAPA activities. Furthermore, as a new priority area for climate change action, knowledge and experience on adaptation was very limited. The LEG expected the full cost of LDCs' NAPAs to grow with the passage of time since the completion of the NAPAs, new information, and new and additional climate change impacts. For these reasons, others have argued that the US$2 billion LEG estimate represents the cost of implementation of NAPAs *excluding* co-financing; with co-financing, NAPA costs are closer to US$5 billion (Ciplet et al., 2015).

The inadequate scale of resources in the LDCF have also impacted the way LDCs' NAPAs were formulated. A significant concern about the NAPA outputs has been that they were developed in a way

that was tailored towards making best use of available resources from the Fund, at the time. Thus, not only were adaptation costs underestimated, NAPAs were also formulated on a project-by-project and sector-specific basis to fit perceived resource constraints. Adopting more programmatic and cross-sectoral approaches to the NAPA formulation could have led to more aspirational, strategic and effective adaptation planning that is well integrated with national development agendas (COWI and IIED, 2009).

Not being able to adequately predict the level of resources that will become available in the LDCF has likewise hampered the secretariat's ability to allocate sufficient financing to support a more programmatic approach to NAPA implementation and the NAP process. The focus of NAPA implementation projects, due in part to the limited availability of resources, has been on soft activities such as capacity building, including for the integration of climate change adaptation into national planning. While LDCF projects have a tendency to design themselves as scalable, replicable or 'pilot' projects that can build on this groundwork (by adopting a programmatic approach), the sustainability of results depends heavily on future funding.

Delivery of LDCF grants has also been slow due to the inadequate scale and unpredictability of resources. As time passes, LDCs' urgent and immediate adaptation priorities and needs and their associated costs will continue to escalate to levels far beyond what is contained in the NAPAs; how priorities are ranked is neither expected to stay static (COWI and IIED, 2009).

Enhancing ownership and access

Over the years, the LDCs have called for enhancing country ownership of LDCF financing. The only two considerations that determine whether the review criterion for 'country ownership' is met in a project proposal is arguably weak. One is country eligibility, determined by whether the country requesting LDCF funding is a LDC Party to the UNFCCC. The other is 'country drivenness,' which demands that the project in question is identified as a priority activity under the country's NAPA. The latter must demonstrate evidence of stakeholder consultation and support, and take into account other relevant local, national or regional studies and projects. As discussed, LDCs have had little control over decisions and resources for the implementation of LDCF-financed projects and limited negotiating power in their relationship with the GEF Agencies (COWI and IIED, 2009). Moreover, some LDCs express concern over GEF Agencies' use of international consultants rather than, or in collaboration with national consultants, which does little to enhance country ownership of LDCF-financed interventions or strengthen LDCs' capacities.

One way in which LDCs have sought to address this issue has been by calling for direct access to LDCF resources, as is possible for the Adaptation Fund under the Kyoto Protocol. A direct access option would allow recipient countries to more quickly tap into resources, and be able to directly contract the GEF Agency they choose to work with (COWI and IIED, 2009). Furthermore, it would have the potential to build human and institutional capacity within LDCs to mobilise, access and manage funds.

Unfortunately, Parties collectively have not agreed to include a request for a direct access modality in any of the COP guidance given to the LDCF thus far. Because it does not have the mandate from the COP, the GEF has not advanced this agenda very far either. In 2010, the GEF Council did approve and launch a new direct access modality for the GEF Trust Fund which also applies to the LDCF. However, while the initiative allows for direct access to the LDCF without accreditation for grants up to US$500,000, the scope of the modality is rather narrow. The GEF explained that recipient countries can only take advantage of this direct access modality for 'enabling activities' financed under the LDCF, namely, for the preparation of Convention Reports (such as national communications) (GEF, 2012b).

The following year, the GEF Council decided to broaden its partnerships by approving the policies, procedures and criteria for a pilot on accrediting (up to ten) new institutions to implement GEF projects. In line with LDCs' concerns, it explained that allowing new institutions to act as GEF partners in this manner would serve to enhance country ownership of GEF activities and give recipient countries greater choice with regard to which agencies they would like to work with. Moreover, the pilot would allow for newly accredited national/regional institutions, or 'GEF Project Agencies', to enhance their capacity to prepare and implement GEF-financed projects, and access resources from the GEF Trust Fund directly. The same direct access policies from this pilot programme would apply to the LDCF (unless or until the LDCF Council decided otherwise), where GEF Project Agencies would assist countries in preparing and implementing LDCF-financed projects and access resources from the LDCF directly. By the pilot programme's completion (May 2015), however, eight out of 16 applicants were successively accredited

and none were from LDCs. This supports LDCs' views that that the stringency of existing accreditation processes remains a major barrier (Uprety, 2015).[12]

[12] The Evaluation of the Accreditation Process for Expansion of the GEF Partnership was made available in May 2015, and is contained in GEF/ME/C.48/Info.03; the GEF secretariat's response to the Independent Evaluation Offices' report is contained in GEF/ME/C.48/03. Out of 16 entities that applied, eight applicants met the GEF's minimum fiduciary standards and environment and social safeguards and were approved for accreditation by the end of the pilot accreditation programme (May 2015) (GEF, 2015a, 2015e). These comprise three national entities (from Brazil, China and South Africa), two regional entities and three international civil society organisations.

5. Options for a post-Paris LDCF

There is no doubt that the international climate finance architecture is evolving. At COP-16 in 2010, developed country Parties committed to a goal of mobilising jointly US$100 billion per year by 2020 to address the needs of developing countries. Parties also established the Green Climate Fund as a new operating entity of the Convention's financial mechanism through which a share of these resources should flow. In Paris, they agreed that they would set a new, more ambitious collective finance goal prior to 2025.

The LDCs want to see the key role being played by the LDCF continue in the post-Paris climate regime, but the Fund's current situation is extremely precarious. The Paris Agreement dictates that the UNFCCC's financial mechanism, which includes the LDCF as an entity administered by the GEF, shall serve the Paris Agreement. However, it's critical for the Fund to attract scaled up and predictable financial contributions in order to do this work meaningfully and effectively. Ever since the GCF embarked upon its resource mobilisation process, the LDCF has had even more difficulty attracting the scale of financing that the fulfilment of its mandate demands. This is reflected in the sudden drop of resources pledged to the LDCF in FY15 (ending on 30 June 2015) from approximately US$175 million in FY13 and US$100 million in FY14, to under US$30 million, as well as the ever-increasing backlog of approved projects in the pipeline (GEF, 2013, 2014c, 2015b). The total amount of resources paid to the LDCF in its fifteen years of existence is less than one tenth of what was pledged to the GCF barely a year into its Initial Resource Mobilisation period[13].

Aspects of the Fund that has made it unique must be highlighted. These include that it supports adaptation and disburses finance through grants. Moreover, it is the only dedicated fund for LDC parties to the UNFCCC, which do not have the same level of capacity to access funds as other developing countries. The Fund's principle of balanced access also ensures that all LDCs can access an equal share of available resources, no matter when they submit their proposals for funding. The types of projects that the LDCF has been supporting is also noteworthy – such as building individual and institutional capacity at local and national levels to integrate climate change adaptation in policy agendas.

In addition, certain reforms to address issues LDCs have raised regarding the operation of the Fund could attract scaled up and more predictable funding, and thus ensure a secure future for the LDCF. For example, it could improve on national ownership of activities and build LDC capacity to manage resources by allowing for enhanced or direct access to the Fund, even if this would impact the implementation period or the level of resources needed.

Furthermore, the LDCF's remit could be revised in order to highlight the added value of a dedicated fund for LDCs in the growing climate finance landscape and in the context of support needs to implement the Paris Agreement. There is no question that LDCs' urgent and immediate adaptation priorities, including those already identified in their NAPAs, need financing without delay. Unlike the GCF which LDCs are likely to have difficulty accessing quickly, the LDCF could serve as the fast-track channel from which they can be provided with upfront grant-based support. Moreover, these LDCF-financed adaptation interventions could act as 'incubator' projects, to be later scaled-up into larger activities or programmes, including those elaborated in their nationally determined contributions (NDCs) under the Paris Agreement. The incubator projects would necessarily include an element of individual and institutional capacity building – which the LDCF has already supporting - to strengthen LDCs' absorptive capacity to access larger funds. Indeed, the intent is that once the incubator projects are ready to be scaled up, they would be commercially viable interventions that could be supported through a variety of financial instruments including concessional loans provided by other funds, such as the GCF.

Scale and predictability of income to the LDCF can be further enhanced by setting up a replenishment cycle would enable resources to flow into the fund in a sustainable and more predictable manner. This could coincide with the GEF Trust Fund's four-year replenishment. Parties could alternatively agree on a replenishment cycle for the Convention's entire financial mechanism, as advocated by Müller and Ngwadla (2015). Moreover, the Fund could be opened up for contributions from alternative sources of funding (rather than relying uniquely on voluntary pledges). The Fund could be capitalised by a share of proceeds from units generated by market mechanisms or instruments, for instance, as is done for the Kyoto Protocol's Adaptation Fund. The LDC Group has called for a levy scheme involving the

[13] By the end of COP-20 (December 2014), total pledges to the GCF neared US$ 10.2 billion (GCF, 2014).

International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO) (LDC Group, 2008, 2014b; Chambwera et al. 2012); a similar idea has been picked up by Chancel and Piketty (2015). Müller (2015) has also introduced the idea of earmarking at the sub-national level, where a small share of proceeds from the joint auctions of allowances generated from California and the Province of Quebec's emission trading schemes might be transferred to the LDCF as a solidarity charge for the poorest and most vulnerable to climate change. This concept has already generated positive feedback and interest from all stakeholders, the author notes. As mentioned, in December 2015, Quebec became the first sub-national government to pledge to the LDCF – or any multilateral climate fund.

This only the start of a discussion on options for future arrangements for the Fund. What is certain is that vigorous advocacy from LDCs and other bodies supporting these countries – such as the LEG – is critical to not only capitalise the Fund in the immediate term, but also help secure its future in the post-Paris finance architecture.

Conclusion

Among the most important characteristics of the LDCF is that it provides a funding channel dedicated to the supporting the needs and priorities of the LDCs, acknowledging that the capacity of LDCs to access and absorb financing (in general) is lower than that of other developing countries. This arrangement is unique to the LDC Group as a reflection of Article 4.9; parties to the UNFCCC have agreed that the operation of the LDCF shall not set a precedent for other funding arrangements under the Convention (UNFCCC, 2006). Besides this, the principle for equitable or balanced access to LDCF-financing further sets the Fund apart from others, as it ensures that all eligible LDC parties has access to the same amount of funding.

As a result of severe resource challenges, and along with the advent of the GCF towards which much climate finance attention has turned, the future of the LDCF is increasingly uncertain. Although the many concerns voiced by LDCs and raised in evaluations regarding the way in which the Fund has been running over the years still need addressing, the LDCs have voiced that the LDCF, or another such dedicated funding stream for LDCs, should continue to exist in the post-Paris climate regime. Certain reforms to make the Fund ‘fit-for-purpose’ could render the Fund more attractive to donors and recipients and make it more effective. However, the full engagement of the LDCs in further developing the thinking about the future of the Fund will be critical.

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Acronyms

AfDB	African Development Bank
CMP	Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties to the UNFCCC
FPD	Full Project Document
GCF	Green Climate Fund
GEF	Global Environment Facility
GEF IEO	GEF Independent Evaluation Office
ICAO	International Civil Aviation Organisation
IMO	International Maritime Organisation
KP	Kyoto Protocol
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
LEG	Least Developed Countries Expert Group
M&E	Monitoring and evaluation
NAP	National Adaptation Plan
NAPA	National Adaptation Programme of Action
OECD	Organisation for Economic Co-operation and Development
PIF	Project Identification Form
RBM	Results-Based Management
SAARC	South Asian Association for Regional Cooperation
SCCF	Special Climate Change Fund
UNDP	United Nations Development Programmes
UNEP	United Nations Environment Programmes
UNFCCC	United Nations Framework Convention on Climate Change