Development of LDCF/SCCF Programming Strategy and Operational Improvements (2022-2026)
The strategy development is informed by

- UNFCCC COP guidance
- Complementarity and coordination with Green Climate Fund and others
- Opportunities for synergy with GEF Trust Fund
- Science
- Input from stakeholders e.g. Donors, recipient countries, GEF Agencies, UNFCCC Secretariat
# Theory of Change

## Goal

Transformational adaptation enabled to meet Paris Agreement’s global goal on adaptation

## Assumptions

- Country ownership and receptiveness to whole-of-society approach
- Adequate and predictable financing to LDCF and SCCF
- Efficient and effective project design, implementation, and M&E by GEF Partnership

## Priority Themes

- Food Security and Health
- Conflict, fragility, and migration
- Nature-based solutions
- Early warning and climate information systems

## Medium-Term Impacts through Priority Areas

### LDCF
- Partnership fostered for inclusion and whole-of-society approach
- Innovation and private sector engagement strengthened
- Adaptation finance scaled up

### SCCF
- Adaptation priorities of SIDS supported
- Innovation and private sector engagement strengthened

## Longer-Term Impacts

- Sustainability of climate adaptation measures enhanced through policy coherence
- Climate resilience of key systems enhanced through systemic post-COVID-19 green and blue recovery
- Vulnerability of people, ecosystems, and communities reduced with enhanced adaptive capacity
LDCF/SCCF

Programming strategy
Least Developed Countries Fund (LDCF)
Priority themes for 2022-2026

1. **Food security and health**
   - Heightened focus on community wellbeing

2. **Conflict, fragility and migration**
   - Adaptation can alleviate pressures contributing to displacement

3. **Early warning and climate information systems**
   - Expand access and strive for greater user uptake

4. **Nature-based solutions**
   - High potential to deliver adaptation
Priority area 1
Scaling up finance

The adaptation financing gap is massive

- Current annual costs
  - US$70 billion
- 2030 annual costs
  - US$140–300 billion

LDCs adaptation financing needs
- 40 billion USD/year

Adaption finance flow to LDCs
- 1-2 billion/year

Systemic barriers
- Limited international climate finance commitment
- Low institutional capacity
- Low domestic public and private finance mobilization
- Lack of system to track financing and results

WHAT WILL BE SUPPORTED
- Reinforcing policy coherence
- Strengthening institutional capacity
- Supporting innovative financing mechanisms
- Developing tools and metrics
Priority area 2

Strengthening innovation and private sector engagement

Untapped impact potential
- Opportunity for systems transformation
- Catalyze private sector action through risk-sharing
- Engage ideas, know-how and resources of private sector and innovators through the Challenge Program for Adaptation Innovation

Systemic barriers
- Limited availability and adoption of climate risk data and tools
- Weak formal metrics, standards and legal frameworks for the private sector to act for adaptation needs
- Perceived lack of profitable investments
- Low capacity within financial system, governance bodies

WHAT WILL BE SUPPORTED
- Nature-based solutions
- Advancing technology transfer, deployment and innovation
- Enabling the conditions for private sector action
- Using grant finance
- Incubating and accelerating MSMEs
- Catalyzing inclusive microfinance
CONTINUING CHALLENGE PROGRAM FOR ADAPTATION INNOVATION

To catalyze innovation and private sector engagement

- Unlocking untapped private sector opportunity
- Creating new partnerships
- Sharing risk
- Transferring technology solutions

2019 -
ROUND 1
Call in September,
Winners announced at COP25
388 concepts from 343 proponents
with 9 winning concepts

2021 -
ROUND 2
Call in August,
Winners to be announced at COP26
418 concepts from
370 proponents

[Logos of various organizations]
Priority area 3
Fostering partnership for inclusion and whole-of-society approach

Ownership for sustainability

Promote a whole-of-society approach to adaptation that is **locally led, inclusive, and open to engagement**

Emerging evidence on the **negative impacts of climate change** on children and youth

Provide dedicated space to the wide range of stakeholders and **recognize their role as genuine partners** for change

WHAT WILL BE SUPPORTED

• Focusing on institutional strengthening and capacity building efforts at all levels
• Building partnerships with local organizations and systems to address social equity
• Exploring innovative financing opportunities to support whole-of-society approach
• Engaging in thought leadership through **global partnerships and fostering** enabling environment
Special Climate Change Fund (SCCF)
Special Climate Change Fund (SCCF)

Critical niche in broader climate finance architecture

- Ability to **support cooperation and learning** regionally + globally involving LDCs and non-LDCs
- Flexibility to use **grant and non-grant options** to blend concessional and commercial finance
- Ability to **support SIDS** nationally and regionally

**INCREASED STRATEGIC FOCUS**

<table>
<thead>
<tr>
<th>Priority adaptation actions in SIDS</th>
<th>Technology transfer, innovation and private sector action</th>
</tr>
</thead>
</table>
Special Climate Change Fund (SCCF)

Priority area 1
Supporting the adaptation needs of SIDS

Even non-LDC SIDS are extremely vulnerable to adverse climate change impacts
- Shorelines retreat along sandy coasts
- Coastal inundation, increased saltwater intrusion into aquifers
- More intense tropical cyclones

Meets a need, fills a gap
- No dedicated public fund for adaptation for SIDS
- Need to compete to access the Adaptation Fund and the GCF
- Strong focus on adaptation for SIDS, to well-resource SCCF, and contribute towards filling a void in adaptation funding

Vulnerability worsened by
- Geographic isolation
- Non-diverse economies
- Limited resource base

What will be supported
- Projects in the priority themes
- Projects/programs complementary to the proposed Blue and Green Islands integrated program or the Clean and Health Oceans integrated program of GEF Trust Fund
- Efforts to jointly program with GCF in SIDS
- Complementary adaptation support for bilateral/multilateral and/or other initiatives
- Opportunities to help build capacity for adaptation of regional organizations
Special Climate Change Fund (SCCF)

Priority area 2
Strengthening innovation and private sector engagement

What will be supported

- Technology transfer, piloting and commercialization of climate adaptation technology solutions
- Enabling the conditions for private sector action
- Green financing product innovation
- Catalyzing private investment through risk sharing by blending concessional with commercial finance
- Focus on multi country, regional and global projects

Meets a need, fills a gap

- Technology Transfer and private sector engagement are under-supported priorities for which GEF has clear mandate
- Track record of strong impact through modest SCCF investments in recent years
- Unmet interest and opportunity conveyed through Challenge Program for Adaptation Innovation

SCCF positioning

- Support both LDCs and non-LDCs
- Support South-South cooperation and learning
- Use both grants and non-grant instruments who share the share region, ecosystems and challenges across both LDCs and non-LDCs
Operational improvements

LDCF/SCCF
# Operational improvements and impacts

<table>
<thead>
<tr>
<th>OLD</th>
<th>GEF-7</th>
<th>GEF-8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling approval of projects</td>
<td>Work Programs</td>
<td>Maintain GEF-7 improvements</td>
</tr>
<tr>
<td>First-come, first-served</td>
<td>LDCF/SCCF Council approval</td>
<td>Address fund-level priorities through Dedicated programs</td>
</tr>
<tr>
<td>No prioritization</td>
<td>Strategic prioritization</td>
<td>Continue country resource allocation modality (amount to be decided)</td>
</tr>
<tr>
<td>Limited multi-trust fund programming</td>
<td>Multi-trust fund programming enabled</td>
<td>Facilitate major initiatives and regional/global efforts from agreed 10% cap for LDCF, tbd for SCCF</td>
</tr>
<tr>
<td>Pipeline with long wait (2+ years)</td>
<td>No more pipeline</td>
<td>Enhance synergy with GEF TF</td>
</tr>
<tr>
<td></td>
<td>Significantly reduced wait time</td>
<td></td>
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<tr>
<td></td>
<td>More balanced agency share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$10 million initial cap by LDC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10% for global/regional initiatives from LDCF</td>
<td></td>
</tr>
</tbody>
</table>
LDCF donor contributions

IMPROVEMENTS

- All available funds programmed at each Work Program
- Enhanced LDC interest
- Continued donor support

REMAINING ISSUES

- Significant variability in annualized contributions
- Lack of predictability on funds available for Work Program
- Challenges in managing country expectations
- Unmet needs: $140-$300 billion a year needed for adaptation (IIED, 2019)
- Constraint is limited resources

As of March 31, 2021
## LDCF RESOURCE MOBILIZATION

### Options to consider

<table>
<thead>
<tr>
<th></th>
<th>Replenishment</th>
<th>Status quo</th>
<th>Multi-year pledging</th>
<th>Other?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transition to replenishment model, if viable and of interest to donors.</td>
<td>Maintain voluntary contribution modality, as is.</td>
<td>Move to multi-year pledging, with voluntary contributions.</td>
<td>Other options to consider?</td>
</tr>
<tr>
<td>2</td>
<td>• Highest predictability&lt;br&gt;• Impact on donors with intermittent contributions&lt;br&gt;• Fundamental operational change: feasible by July 2022?</td>
<td>• Least predictability&lt;br&gt;• May enable extra or intermittent contributions&lt;br&gt;• Requires no changes to operations</td>
<td>• Somewhat enhanced predictability&lt;br&gt;• Need broad donor commitment&lt;br&gt;• May enable extra or intermittent contributions&lt;br&gt;• Requires no changes to operations</td>
<td></td>
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<tr>
<td>3</td>
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<td>4</td>
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</tr>
</tbody>
</table>
SCCF donor contributions

REMAINING ISSUES

- Lack of donor support
- Significant need from non-LDCs
- Missing opportunities for innovation, private sector, NBS, and synergy
- Entry point for blended finance, but no resources
- GEF is unable to support adaptation in non-LDCs
## Options to consider

<table>
<thead>
<tr>
<th></th>
<th>Options</th>
<th>Support adaptation priorities in all vulnerable countries/regions</th>
<th>Maintain the current practice</th>
<th>Provide focused support in line with GEF’s advantage</th>
<th>Highly undesirable, but needed if no more donor support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fully revitalize</td>
<td>Responds to original mandate and emerging needs</td>
<td>Has a single donor</td>
<td>Prioritizes highly vulnerable contexts of SIDS under window (a) on adaptation, and innovation and private sector engagement for all under window (b) on technology transfer</td>
<td>Initiates steps towards Council decision, with COP and CMA deliberations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Builds on GEF advantage</td>
<td>Supports some MSPs</td>
<td>Needs donor assurances of SCCF support</td>
<td>Continues implementation of ongoing projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ambitious resource target</td>
<td>May face resource constraints to cover administrative costs</td>
<td>Needs donor assurances of SCCF support</td>
<td>Needs to secure administrative budget until completion of ongoing projects and termination date</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Needs donor assurances of SCCF support</td>
<td>May lead to de-facto suspension of SCCF</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ADDITIONAL IMPROVEMENTS

Dedicated programs

- Communications and Visibility Enhancement
- Outreach and Capacity Support for LDC Planning and Programming
- Organizational Learning and Coordination
Least Developed Countries Fund
Special Climate Change Fund
Programming Strategy and Operational Improvements (2022-2026)

1st meeting
October 19, 2021