Step-by-Step Guide to the LDCF Project Cycle:

The LDCF project cycle for NAPA implementation consists of two main steps:

- **The project identification stage (PIF approval):** The primary purpose of this step is to assure that the project idea is conceptually aligned with the mandate for LDCF, and thus eligible for funding. Once the PIF is approved, funds remain reserved for that particular project under the condition that a fully developed project proposal be submitted to the GEF Secretariat before the milestone date indicated in the PIFs cover page. There is no minimum standard for preparation time – a fully developed project can be submitted as soon as the PIF is approved. However, a maximum of 22 months is allowed for project development Following PIF approval, the project is also eligible for an **optional project preparation grant (PPG)** to facilitate work necessary to prepare the fully developed proposal for stage 2 below. Costs associated with the preparation of project documents, consultations between host country and the implementing agency, and other costs included in the agency service fee (please refer to GEF/C.23/8 (link) for details) should not be covered by the PPG. PPG requests follow a separate template available from the link above.
- **The detailed project description stage (CEO endorsement):** The purpose of the Chief Executive Officer (CEO) endorsement document is twofold. First, it should further elaborate and describe the technical rationale of the project (how the proposed activities will reduce vulnerability and increase adaptive capacity in the targeted sector(s)). Second, it should clearly demonstrate that all details of project implementation have been established, and that the project is ready for implementation. It includes the following items:
    - Fully developed project proposal
    - Full description and budgeting of all project activities
    - Details of implementation arrangements
    - All official approvals
    - Signed cofinancing letters
    - Arrangement for monitoring and evaluation (M&E).

Step 0 - Choosing an Implementing Agency:

The first step in accessing NAPA implementation funding through the LDCF is to identify one (or more) Amplementing Agency/ies) from the group of GEF Agencies to assist in submitting a project proposal to the LDCF.

The role of the GEF Agency is to assist the country in formulating a coherent project idea, based on one (or more) of the highest-ranking NAPA priorities, and convert this idea into a Project Identification Form (PIF) of about four to eight pages in accordance with current LDCF templates. The country can choose freely among the 10 GEF agencies for the implementation of its project(s). It is also possible to implement separate projects with separate agencies, or have two or more agencies working together in one project to offer their expertise in specific sectors. The choice of GEF Agency/ies) should be based on its comparative advantage in relation to the specific issues addressed by the project implemented (for more details on these please refer to the document GEF/C.31/5 (link)).

STEP 1.1 – PIF Approval:

PIFs can be submitted as soon as they are ready (no deadlines), and are reviewed and approved by the GEF secretariat and LDCF/SCCF Council on a rolling basis to facilitate the fastest possible turnaround. After a 10-day review period in the GEF Secretariat, projects are either recommended for Council review and approval (four weeks for additional review by the LDCF/SCCF Council) or returned to the GEF agency with a clear indication of the issues preventing recommendation for Council approval.

- *The PIF template*: The PIF template includes two main parts: a project framework and budget section, and a project justification section.
    - *Project framework and budget section*: The project framework and budget section provides a basic overview of the project, including its overall objective, the project's main components, and the expected outcomes/outputs of each component. Also this section requires an indicative budget at the level of each component and a specification of expected cofinancing and sources. Budget information is for indicative purposes only, and detailed cost estimates and finalize**d** cofinancing commitments are not expected at this stage.
    - *Project justification section*: The second section presents a brief description of the baseline situation in the country/region and targeted sector, the specific climate change vulnerability being addressed by the project, the additional activities necessary to reduce climate change vulnerability in the targeted sector (the additional cost reasoning), the fit of the proposed activities with existing national plans and priorities (most notably the NAPA priorities), and a brief description of related activities (planned and ongoing) in the target sector/region.

A good rule of thumb is that the PIF should, as a minimum, give satisfactory answers to the fundamental review criteria described below. More detailed guidance on the individual sections of the PIF template can be found in the preparation guidelines attached to the PIF template.

PIF Criteria for Approval:

A list of review questions asked during the internal review process at the PIF level in the GEF Secretariat can be found here (link – empty review sheet for LDCF/SCCF). The review questions can be summarized in four categories of critical information that must be available in a PIF submission:

- *Basic project idea (additional cost argument):*
- What is the likely baseline development for the targeted sector without LDCF investment?
- What are the climate change vulnerabilities?

- What are the specific additional activities to be implemented to make baseline development (more) climate resilient?
- *Fit with NAPA priorities:*
- Does the project respond to the highest priority/ies identified in the NAPA, and if not, why?
- *Implementation setup:*
- Who will implement the project and why (including comparative advantage of Implementing Agency/ies) and Executing Agency/ies))?
- Is the project being coordinated with related projects and programmes to avoid duplication of activities?
- *Indicative budget and cofinancing*
- How will the project components be weighted in terms of budget and why?
- What levels and sources of cofinancing (see definition below) is the project expecting to leverage?

If one or more of the critical information points is missing or insufficiently described in the PIF, the reviewer will be unable to provide clear answers to the review questions, and would have to request that such information be provided by the Implementing Agency in a revised PIF. Requests for additional information are the most common reason for projects not being recommended within the initial 10-day review period (please refer to PIF processing below).

It is important to emphasize that the GEF Secretariat **does not** impose any strategic direction on the LDCF other than that given by the COP guidance to the LDCF, and that defined in the individual country NAPAs.

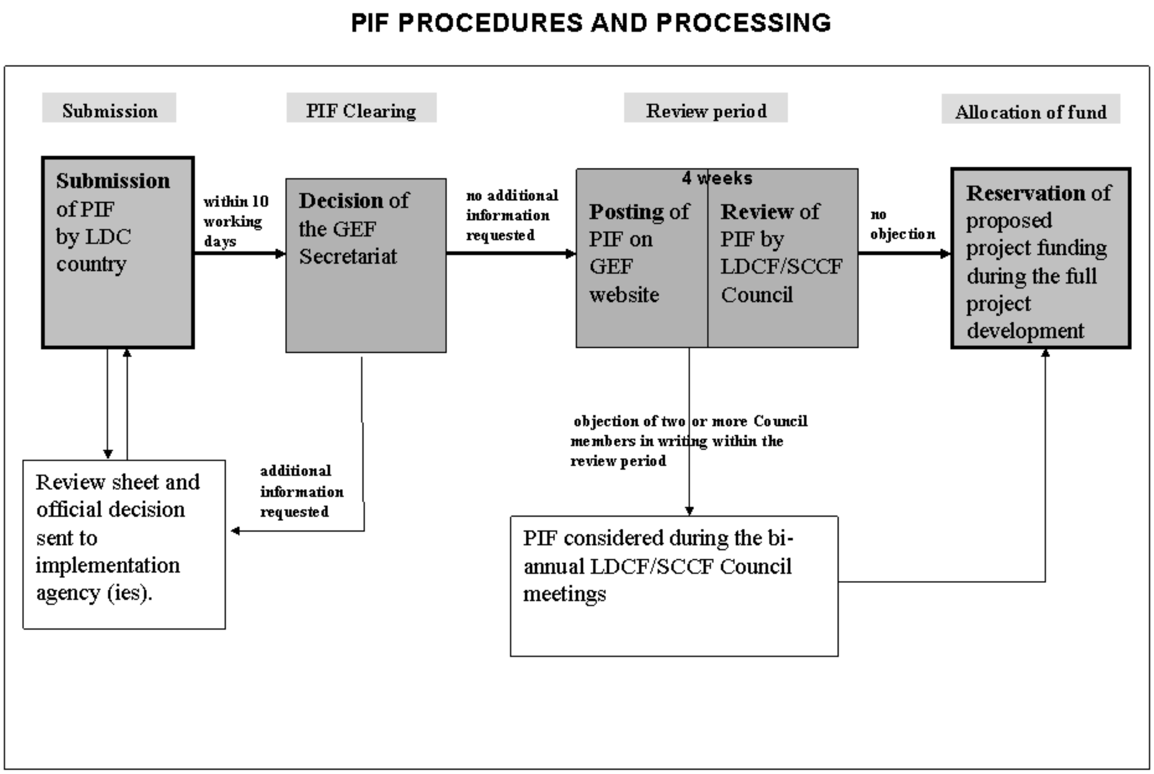
PIF Procedures and Processing:

Upon receiving a request from a country through an endorsement letter with an attached concept note about the project to be developed, a GEF agency will work with the national UNFCCC Focal Point to prepare a PIF. The PIF is then submitted to the GEF Secretariat for processing. The GEF Secretariat reviews and clears the PIF for further processing, then posts the PIF on the GEF Web page, as shown in figure 1 below.

PIFs are submitted and processed on a rolling basis, meaning that there is no deadline for submission. As soon as the Implementing Agency submits the PIF to the GEF Secretariat the clock starts ticking. The procedures and processing are presented in the diagram below.

It is worth noting that all agencies and LDCs have the opportunity to meet with, e-mail, or call GEF Secretariat Program Managers and ask for clarification about the project cycle or specific questions on their projects through “upstream consultations” and/or bilateral meetings.

Figure 1. Flow of procedures and processing for the project identification form (PIF) for LDCF projects.



Step 1.2 (optional) – PPG Approval:

The PPG proposal should describe a logical process toward developing the full project proposal (CEO endorsement), including a reasonable budget and a detailed schedule of preparation activities to be implemented. Other than these guiding principles, no technical criteria are imposed on the PPG. More details on PPG preparation can be found in the guidelines attached to the PPG template linked above.

Additional cofinancing should be raised for the purpose of project development, as it demonstrates commitment and involvement on the part of the project proponent (in kind is generally acceptable).

Step 2 - CEO Endorsement:

The purpose of the CEO endorsement document is twofold:

- First, elaborates on and describe the technical rationale of the project (how the proposed activities will reduce vulnerability and increase adaptive capacity in the targeted sector(s)).
- Second, it clearly demonstrate that all details of project implementation have been established and that the project is ready for implementation.

CEO endorsement requests can be submitted as soon as they are ready (no deadlines), but at the latest at the date indicated in the PIF and its approval letter. CEO endorsement requests are reviewed and endorsed by the GEF secretariat and LDCF/SCCF Council on a rolling basis to facilitate the fastest possible turnaround. After a 10-day review period in the GEF secretariat, projects are either endorsed by the CEO (subject to four weeks of LDCF/SCCF Council review) or returned to the GEF agency with a clear indication of the issues preventing recommendation for CEO endorsement.

CEO endorsement request template:

The submission for CEO endorsement usually includes two separate documents: the CEO endorsement request template, which (in a relatively short form) summarizes all the technical/budgetary information required to answer the review questions at CEO endorsement, and the GEF agency project document, which will usually include detailed background information such as an itemized budget, description of individual project activities, and so forth. The CEO endorsement template itself asks very similar questions to those posed at the PIF level, but requires a greater level of detail, a more elaborated budget description, an M&E framework, detailed description of project implementation arrangements, and official documentation in the form of signed letters of endorsement for cofinancing. The CEO endorsement request template should include the most fundamental information, but can otherwise cross-reference relevant sections of the project document for comprehensive (but essential!) argumentation and description.

Criteria for CEO Endorsement Approval:

A full list of questions asked during the internal review process in the GEF secretariat can be found here (link – empty review sheet for LDCF/SCCF). As with the PIF, these review questions can be summarized in four categories of critical information, which must be available in a CEO endorsement request submission:

- *Project idea and additional cost argument:* Similar to the information provided at PIF stage (see section on PIF above), but with considerably more detail – especially in terms of specific adaptation activities for each of the project components, and how such activities will contribute to the overall objective, outcomes and outputs of the project.

- *Implementation setup:* Similar to the information provided at PIF stage (see section on PIF above), but with considerably more detail on the implementation and coordination arrangements.
- *Indicative budget and cofinancing:* Similar to the information provided at PIF stage (see section on PIF above), but with a detailed, itemized budget, including consultancy cost and brief TORs (terms of reference) for all consultants to be hired.
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    - Letters of endorsement for all cofinancing leveraged by the project.

Monitoring and Evaluation Framework:

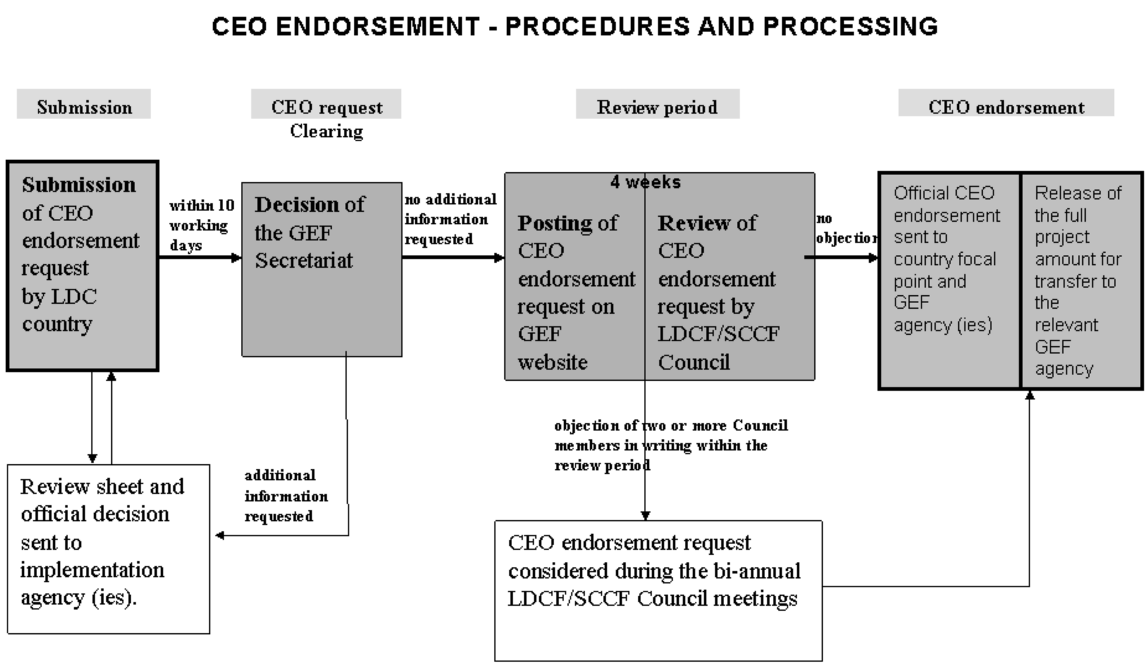
- A clear description of the process and a timetable for the M&E process.
- A project strategic results framework identifying clear impact indicators (as opposed to only process indicators), as well as baseline and target values, for each of the project's outcomes and outputs.

If one or more of the critical information points is missing or insufficiently described in the CEO endorsement submission, the reviewer will be unable to provide clear answers to the review questions and would have to request that such information be provided by the Implementing Agency in a revised CEO endorsement submission. However, as long as the project proposal is conceptually and budgetary consistent with the proposal presented in the original PIF, the general eligibility of the project is not brought into question at this stage.

CEO Endorsement Procedures and Processing:

CEO endorsement requests can be submitted as soon as they are ready (no deadlines), but at the latest on the date indicated in the PIF and its approval letter. As soon as the Implementing Agency submits the CEO endorsement to the GEF secretariat the clock starts ticking. The procedures and processing are presented in figure 2 below.

Figure 2. Flow of procedures and processing for the CEO endorsement of LDCF projects.



Clarification of Key Concepts:

Costing of LDCF projects (the additional costs concept):

Based on the guidance of decision 3/CP.11, the LDCF has developed several special concepts, designed to simplify project preparation and provide expedited access to LDCF resources. These concepts include a full-cost option, additional cost principle, a flexible concept of cofinancing, and a sliding scale to simplify the calculation of project cost.

In accordance with decision 3/CP.11, the LDCF provides full-cost funding for adaptation needs in LDCs. However, in practice, adaptation is expected to take place in conjunction with other activities. It can also be argued that in most cases, adaptation investments will be both more sustainable and more effective when mainstreamed into existing development objectives. In such cases, existing development objectives will, by themselves, entail certain costs (for example, the costs of investments in the agricultural sector to improve production and increase food security). The cost of existing development objectives constitutes the baseline costs to achieve these objectives in the absence of climate change. These costs cannot be covered by the LDCF, but should be sought elsewhere through international development assistance, national budgets, and so forth. The LDCF covers only the full additional cost of adaptation, meaning the investments necessary to make existing baseline investments (more) resilient to the impacts of climate change. In other words, the additional cost is the cost imposed on vulnerable countries to meet their immediate adaptation needs.

Cofinancing and the Sliding Scale:

In practice, the exact level of such LDCF-eligible additional cost can be determined in two ways:

- By comparing a full cost estimate of a 'baseline development scenario (without LDCF investments), to a full cost estimate of an alternative scenario (with additional activities to make the baseline resilient to climate change);, the difference between these two scenarios would constitute the additional cost eligible for LDCF funding.
- Using a simplified sliding scale, which is an approach developed to calculate the contribution that would come from the LDCF for projects, in the absence of an explicit calculation of the adaptation additional costs. Details of this sliding scale can be found in the LDCF programming paper (GEF/C.28/18 (link)).

The cofinancing for NAPA projects serves to show that the proposed adaptation activities are securely anchored in existing (previously financed) development activities. In fact there is no fund raising required for cofinancing in the traditional sense (that is, finding new financial resources that would be applied directly to the project). Cofinancing under the LDCF relies on existing financing for development projects ,which provides de facto cofinancing on the ground. To materialize the cofinancing procedure, the LDCF requires a declared commitment from relevant cofinanciers of the existing baseline activities on which the proposed adaptation project will build. The cofinancier(s) declare that they will allocate a certain part of their existing resources toward the project objective.

Balanced Access and Resources Available per Country:

According to decision 6/CP.9, the LDCF is to apply a principle of *Equitable access by least developed country Parties to funding for the implementation of national adaptation programs of action*. In the GEF LDCF programming paper (GEF/C.28/18), which is again based on further guidance in decision 3/CP.11, this principle of equitable access has been translated into a concept of *balanced access*. The balanced access concept assures that funding for NAPA implementation will be available to all LDC, and not be awarded on a first-come, first-served basis (for example, to countries with higher institutional capacity for project development).

For the first round of NAPA implementation, therefore, LDCs are recommended to submit grant requests up to an average amount of US$5 million. As the size of the Fund increases, subsequent rounds of LDCF funding will allow more flexibility and will take into account differing factors, such as national and local circumstances including population and country size and national and local capacity to cope with current vulnerability and future change.