



Global Environment Facility

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April 2, 2008

Dear LDCF/SCCF Council Member:

I am writing to notify you that we have today posted on GEF's website at www.TheGEF.org, a Project Identification Form (PIF) for a full-sized project proposal from UNDP entitled ***Cape Verde: Building Adaptive Capacity and Resilience to Climate Change in the Water Sector in Cape Verde***, for funding under the Least Developed Countries Fund (LDCF). This PIF has been posted for Council approval by mail. Council Members are invited to review the PIF and to submit their comments (in Word file) to the GEF Secretariat's program coordination registry at gcoordination@TheGEF.org by April 30, 2008.

Following the streamlined procedures for processing LDCF proposals (see Programming Paper for Funding the Implementation of NAPAs under the LDC Trust Fund, May 2006) and the new project cycle, Council Members are invited to approve the following decision:

The LDCF/SCCF Council reviewed the PIF entitled, Cape Verde: Building Adaptive Capacity and Resilience to Climate Change in the Water Sector in Cape Verde, posted on April 2, 2008, and approves it on a no objection basis subject to the comments submitted to the Secretariat by April 30, 2008.

In accordance with this decision, if the Secretariat has not heard from you in writing by April 30, 2008, we will assume that you approve the PIF. The PIF will be approved unless at least four Council Members request that the PIF be reviewed and approved at a Council meeting because in the Member's view the project is not consistent with the Instrument or LDCF policies and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Monique Barbut", written over a horizontal line.

Monique Barbut
Chief Executive Officer and Chairperson

cc: Alternates



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE Least Developed Countries Fund (LDCF)

Submission date: December 27, 2007

Re-submission date: January 26, 2008

GEFSEC PROJECT ID: 3581

GEF AGENCY PROJECT ID: 4091

COUNTRY(IES): Cape Verde

PROJECT TITLE: Building adaptive capacity and resilience to climate change in the water sector in Cape Verde.

GEF AGENCY(IES): UNDP

OTHER EXECUTING PARTNER(S): National Institute for Water Resources Management (INGRH)

GEF FOCAL AREA: Climate Change Adaptation

INDICATIVE CALENDAR	
Milestones	Expected Dates
Work Program (for LDCF FSP)	Apr-08
CEO Endorsement/Approval	Jan-09
GEF Agency Approval	Jan-09
Implementation Start	Apr-09
Mid-term Review (if planned)	Apr-11
Implementation Completion	Apr-14

A. PROJECT FRAMEWORK

Project Objective: To increase resilience and enhance key adaptive capacity to address the additional risks posed by climate change to the water sector in Cape Verde.

Project Components	Type *	Expected Outcomes	Expected Outputs (<i>inter alia</i>)	Indicative LDCF Financing*		Indicative Co-financing*		Total (\$)
				(\$)	%	(\$)	%	
1) Stakeholder capacity, policies, planning and mainstreaming for climate change proofing the water sector	TA	Climate change risks integrated into key national policies, plans and programmes, and notably into those that govern integrated water resources management (IWRM).	<ul style="list-style-type: none"> ▪ Training on integrating climate risks into water resource management conducted for relevant agencies/departments (including water and meteorological agencies) ▪ Climate change resilience water management plans revised and/or adopted e.g. municipal IWRM plans, local environment plans; ▪ Raised awareness, using appropriate means, on climate change, vulnerability and adaptation for local communities and key national policymakers (e.g. parliamentarians); ▪ Systematic support for producing detailed maps of climate change implications on water availability. 	600,000	52	550,000	48	1,150,000
2) Pilot and demonstration investments	TA and investment	<p>The demonstration of small and medium scale measures and practices to improve resilience to climate change.</p> <p>An improved knowledge base on measures and practices to adapting IWRM to the climate change threat.</p>	<ul style="list-style-type: none"> ▪ Pilot demonstration activities for climate resilient water harvesting and storage facilities developed (e.g. micro systems, canals, irrigation systems, wind traps, underground screens to prevent groundwater seepage, water treatment technologies); ▪ Climate change risk management measures adopted by water distribution facilities; ▪ [DROPPED OUTPUT:] Feasibility assessments of 	1,600,000	12	11,370,000	88	12,970,000

			traditional water harvesting and collection technologies, to assess potential effectiveness under conditions of climate change.					
3) Knowledge management, dissemination of lessons learned and best practices	TA	Lessons learned and best practices from pilot activities, capacity development initiatives and policy changes are disseminated.	<ul style="list-style-type: none"> ▪ National multi-stakeholder platform on lessons learned; ▪ Lessons learned extracted and disseminated to all key national agencies; ▪ Lessons integrated into work programmes of local partners and international partner agencies; ▪ Cap Verde contributes actively to information exchange networks related to IWRM and climate change; ▪ Website developed as a knowledge platform. 	500,000	63	300,000	38	800,000
4) Project Management				300,000	18	1,350,000	82	1,650,000
Total				3,000,000		13,570,000		16,570,000

* TA = Technical Assistance; STA = Scientific & technical analysis.

B. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	Project Preparation	Project	Agency Fee	Total
LDCF Grant	100,000	3,000,000	310,000	3,410,000
Co-financing	110,000	13,570,000		13,680,000
Total	210,000	16,570,000	310,000	17,090,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT (including project preparation*) BY SOURCE AND BY NAME (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	Grant	1,870,000
Project Government Contribution ^[1]	In-kind	710,000
GEF Agency(ies) (UNDP/Spain)	Grant	150,000
GEF Agency(ies) (UNDP/UN) ^[2]	Grant	250,000
Bilateral Aid Agency(ies)	Grant	6,100,000
Multilateral Agency(ies)	Soft Loan	4,600,000
Private Sector (from Capeverdian diasporas)	Unknown at this stage	to be negotiated
NGO	Unknown at this stage	to be negotiated
Others		
Total co-financing		13,680,000

[1] Of which \$66,000 to PPG.

[2] Of which \$44,000 to PPG

D. FOR MULTI-GEF AGENCIES/COUNTRIES (IN \$)

Agency Name	Country name	Project Preparation	Project	Agency Fee	Total
N/A	N/A	N/A	N/A	N/A	N/A
Total LDCF Resources					

PART II: PROJECT JUSTIFICATION

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT AND THE EXPECTED ADAPTATION BENEFITS TO BE DELIVERED:

In line with guidance for the LDCF (GEF/C.28/18, May 12, 2006), this proposal seeks LDCF funding for a Full-Size Project (FSP) in Cape Verde to implement adaptation priorities identified during the recently concluded National Adaptation Programme of Action (NAPA) process. The NAPA was submitted to the UNFCCC Secretariat on 19 December 2007.

Over the past two decades, the Government of Cape Verde has been relatively successful in introducing economic reforms, maintaining economic stability and generating GDP growth. The government has established poverty alleviation programmes as part of its socio-economic development strategy and progress toward achieving MDG targets has been encouraging. The problem, however, is that the gains achieved and expected are under threat from the additional threat of climate change.

Cape Verde is highly vulnerable to climate change, with low capacity to adapt. **The Initial National Communication** to the UNFCCC (INC) by Cape Verde (1999) identified four sectors as particularly vulnerable to climate change: water, agriculture, forestry and coastal development. The INC identified limitation on water resources as a result of climate change as one of the main constraints to economic development on Cape Verde. Models of future climate change suggest that temperature increases of up to 4°C can be expected by 2100, and decreases in rainfall by up to 20%. In the more immediate planning horizon (next 10-20 years), climate induced changes include seasonal water shortages at an increasing number of economically important sites and year round shortages at other sites. In addition, climate variability is predicted to increase, with more storms, floods and droughts and a shorter rainy season. Clearly, climate change and variability in Cape Verde, as with all LDC and SIDS, is a possible threat to the entire development process and to all the island's communities.

Expected Adaptation Benefits.

This project will address priorities identified in Cape Verde's NAPA and lay the foundation for a sustainable use and management of water resources through climate change. The project will support national programmes to maintain economic development and reduce poverty. This project will ensure that, in selected local municipalities, water resources continue to be sufficient through climate change, thereby providing a basic resource for livelihoods, agriculture and local industries. At the national level, this project will ensure that there is capacity to provide the services and ensure the national water supply is in line with growing demands, and that water is not a constraint to development, tourism and poverty reduction.

This Project will develop national capacity (in terms of policy, plans and planning, information systems) and it will develop capacity at a series of affected municipalities across Cape Verde. The project will also demonstrate a series of climate change adapting technologies and practices at vulnerable and affected sites. These demonstrated practices will feed up into the capacity development processes. The project, where possible, will develop and build upon traditional water management practices and technologies. Finally, the project will ensure that lessons are learnt and disseminated, and that sustainable networks, platforms and information systems are operating.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS:

The proposed project is in line with the Growth and Poverty Reduction Strategy Paper (GPRSP) and National Development Plan (NDP). The GPRSP sets out five strategic pillars, of which the fourth is "improve and develop basic infrastructure, promote land use management, and protect the environment". The NDP contains an integrated water management programme, with the objective of ensuring a sufficient supply of water for all economic sectors, including industry, agriculture, tourism and urban developments. Given that all sectors are highly dependent on a reliable supply of water resources, the fragility of the ecosystem and the predicated climatic changes threaten to undermine the advances the country has made towards reducing poverty and maintaining economic growth. For

example, the country's development path is increasingly dependent on tourism, and the tourism industry must be climate-proofed. Finally, the management of all resources in Cape Verde is decentralised, with municipal governments having a key role. The project is in line with this decentralisation, and capacity building at the municipal level is a key strategy.

The proposed project is also central to the National Environmental Action Plan (NEAP, 2004 – 2014). The NEAP identifies three priority environmental problems, of which the first is “*the limited availability of water suitable for home consumption and economic development activities*”. Accordingly, the first of the four NEAP identified priority interventions is “*sustainable management of water resources*”.

Finally, the proposed project is in line with sectoral strategies in the water sector, including: *Schema Directeur des Ressources en Eau* (Water Resources Master Plan), which is under development, the National Vision for Water, Life and the Environment (prepared in 2007), and The Water Code (1999). With the support of the Dutch government, and in line with the Global Water Partnership (GWP), Cape Verde has developed the National Vision for Water and is currently developing a National IWRM Plan, to be implemented during 2008 – 2025¹. This plan is the first to address water resources management in an integrated manner in Cape Verde. It builds on the experience with pilot integrated water management projects in various municipalities in Cape Verde.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH LDCF/SCCF ELIGIBILITY CRITERIA AND PRIORITIES :

Cape Verde ratified the UNFCCC in 1995 and is currently included in the list of Least Developed Countries (LDCs) and Small Island Developing States (SIDS), as prepared and regularly updated by the United Nations. The country is therefore eligible for funding within the LDCF Adaptation window. In addition, this proposal is consistent with the following eligibility criteria:

- **Country ownership:** Cape Verde has just completed and submitted its NAPA to the UNFCCC. This proposal originated from the NAPA process and was prepared with the full involvement of relevant stakeholders. All seventeen municipalities were represented in the NAPA validation process. The sector being targeted is the first priority sector identified in the NAPA.
- **Program and policy conformity:** The proposed project constitutes a response to urgent and immediate adaptation needs (program conformity). It is designed to address the additional costs of priority adaptation measures identified in the NAPA (programme design), and it will also create the necessary capacity to continue to do so after project completion (sustainability). The ratio of LDCF funds to co-financing is consistent with the sliding scale.
- **Financing:** Cost-effectiveness criteria will apply in the choice of adaptation measures and modalities. Financial contributions to the project strike a good balance between technical assistance, and the use of LDCF and other funds.
- **Institutional coordination and support:** The project is designed to complement other ongoing and planned projects and programmes without duplicating them. UNDP will play a pivotal role in project support by co-financing the project, but also by assessing the best national implementation modality, supervising implementation and mitigating project risks. Project implementation will be coordinated through the UN joint programme in Cape Verde².
- **Monitoring and evaluation:** The project will be monitored in line with the standard UNDP/GEF monitoring and evaluation procedures. Adaptive management will be a key component of the management approach.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES :

¹ Phase 1 covers 2008 – 2011.

² Cape Verde is the first country to pilot this coordinated implementation modality.

This project has been conceived to complement several other projects, programmes and initiatives within the water and related sectors in Cape Verde. These projects, programmes and initiatives serve either as baseline or co-financing to the proposed project. The details will be determined during the PPG period.

The national investment budget³ includes a series of programmes and projects related to integrated water resources management, with an allocation of almost \$14 million for 2007/2008. These projects address sustainable water management, watershed management, information collection and monitoring, construction of small scale water harvesting and enhancing the management infrastructure. These projects are implemented and led by the Ministry of Agriculture and Environment (MEA). The projects and programmes are financed both by the national budget and international partners (including the African Development Bank, the governments of Austria, Japan, Luxembourg and Spain). Based on the 2007/08 figure, the estimated investment in the baseline water sector may total as much as \$50 million for the expected duration of the project. The government is currently preparing the investment programme for 2008, and the Medium Term Investment Programme in line with the GPRSP.

In addition, many international agencies are planning or considering related investments, *inter alia* :

- EU, to support water distribution and sewage treatment (25 million Euro);
- The Government of France (including the French GEF), to support natural resources management and the development of tourism in rural areas;
- The Government of Japan, to support the establishment of bore holes;
- The German Government (through KfW) to support water supply.

Cape Verde is participating in the UNDP/GEF SPA project “*Responding to Coastline Change and Its Human Dimensions in West Africa through Integrated Coastal Area Management*”. This project, starting in 2008, aims to pave the way for adaptation measures that deal with coastal zones issues through regional collaboration. Cape Verde is also participating in the UNDP-implemented project “*Integrating climate change risks into national development processes and UN country programming for the achievement of the Millennium Development Goals*” (financed by the government of Spain). This project will pilot measures to develop capacity in eight countries to integrate climate change risk considerations into UN country programming, development planning and policy-making. The project will notably develop analytical tools and develop national capacities.

The proposed project is fully consistent with the UN and UNDP cooperation programmes and frameworks. Cape Verde is the first country in the world to implement the ‘One UN’ approach, and the present United Nations Development Assistance Framework (UNDAF, 2008-2012) is being prepared in that context, to be implemented jointly by all UN agencies. The protection of the environment is one of the priority themes in the UNDAF. Within this theme, the implementation of NAPA-identified activities is a stated priority. Finally, this project will learn lessons from past interventions, on-going adaptation initiatives in Africa and in other parts of the world through the UNDP-GEF’s Adaptation Learning Mechanism.

E. DESCRIBE ADDITIONAL COST REASONING:

In the framework of the GWP, the National IWRM Plan has the following objectives for the year 2020: (i) 100% of the urban population is connected to the grid; (ii) 25% of the rural population is connected to grid and the remaining 75% have access to fountains; (iii) water availability does not limit the development of tourism or other industries; (iv) water availability is increased through dams, channels, desalinisation plants and other technologies; and (v) improved demand side management; improved groundwater recharging and improved information systems. The IWRM Plan accounts for an expected boom in water demand in the coming decade, due to population growth and economic growth. However, the Plan only accounts for climate change in general terms (without proper quantification and geographic segmentation). Further, the Plan does not adequately account for the impacts on the water resources sector of declining rainfall, increasing rain variability, increasing temperatures and more storms. While INGHR recognises that changing climatic patterns threaten to undermine the basis for integrated water

³ The national rolling investment programme includes projects funded by the Government of Cape Verde, as well as bilateral and multi-lateral donors.

resource management in Cape Verde and its social and economic objectives, the Institute and its partners lack the analytical tools and financial resources to take climate change into consideration and plan accordingly in the medium and long-term. The proposed project is therefore **additional** to these standard, sustainable development activities. It will help Cape Verde to adapt to the predicted impacts of climate change, as follows:

Component 1 The baseline project consists of strengthening capacity at several levels to undertake integrated water resource management planning. In the alternative scenario, with support of the proposed project, the institutions and individuals involved in managing the water sector will also have the capacity to adapt to climate change. For example, they will have improved information and improved climate change models, notably at sub-national levels. In addition, communities, municipalities and national stakeholders will have a thorough understanding of climate change, its implications for Cape Verde, and of alternative approaches. Tools for integrating climate change and increasing climate change resilience will be available at national level and in selected municipalities. These tools address risk management, capacity to plan for climate change, and capacity to introduce alternative (i.e. climate change proof) development scenarios. With this capacity, stakeholders will be enabled to ensure that water provides a foundation for economic development and poverty alleviation, rather than being a major constraint, as it would become in the baseline.

Component 2 In the baseline scenario, a series of small-scale investments will take place to increase water management capacity. However, these will be insufficient to manage climate change associated risks. In addition, many highly vulnerable sites will not benefit from these investments. In the alternative scenario, baseline investments will be modified in order demonstrate climate change proofing – this may include larger or more sophisticated investments in water capture, storage and distribution. In addition, a series of investments to increase water resources availability will be undertaken in highly vulnerable sites – in order to increase the resilience of local development against climate change and variability. These small-scale investments will not only *demonstrate* appropriate approaches, they will also bring direct relief to some marginal and vulnerable communities in Cape Verde. Finally, field knowledge and expertise on how to adapt to climate change will be greatly increased through a series of demonstration and action-research projects.

Component 3 would not take place in the baseline scenario. In the alternative, the lessons learnt under Components 1 and 2 will be captured and shared within the country, the region and the world. Climate change networks and forums will be active in Cape Verde, and the Cape Verde climate change community will be integrated regionally.

F. INDICATE THE RISK THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MITIGATION MEASURES :

<i>IDENTIFIED RISKS</i>	<i>MITIGATION MEASURES</i>
Decline in available investment funds. As Cape Verde is expected to graduate from LDC status in coming years, the availability of grants and concessional loans may diminish.	Cape Verde is considered an example of good governance. The donor community is ready to continue to help it on its path. Furthermore, as a highly fragile and dependent small island economy, it is recognised by the donor community that assistance to Cape Verde continues to be justified. The UN Joint Office in Cape Verde is playing a catalytical role in leveraging support to the country in an array of development areas, so that the transition towards an economy that relies less on ODA and more on direct foreign and domestic investment can be a smooth one.
The high level of decentralisation means the municipalities may not fully support the project.	The project is to work with selected municipalities, at least initially. The PPG will identify the most appropriate and interested municipalities.
Limited human resources in the country may limit project implementation.	The project will focus on capacity building. The PPG phase will identify and develop human resources capacity, as required.
Cultural resistance to change may limit project implementation.	Cape Verde has implemented several GEF projects and has acquired a momentum for addressing GEF issues. The PPG will invest in identifying enthusiastic and able partners.

G. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

The NAPA process identified and considered various alternatives for adaptation in the key sectors of Cape Verde. In this process, cost-benefits ratio was used as one of the criteria to select priority actions. Hence, the actions proposed are not only the most urgent and most pressing, they are also the most cost-effective. Furthermore, during the PPG implementation phase, the proposed outputs under this PIF will be elaborated and their cost-effectiveness thoroughly assessed. When the final proposal is submitted for CEO Endorsement it will contain all the necessary justifications for cost-effectiveness.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

The proposed project is aligned with UNDP’s comparative advantage in the area of capacity building, providing technical and policy support as well as expertise in project design and implementation in relevant areas such as sustainable land management and water governance. UNDP is able to draw on its experience of supporting almost all the NAPA processes in the sub-region and on technical assistance from the Drylands Development Centre, which specializes in assisting countries to fight poverty and encourage development in the drier parts of the world. The Water Governance Facility (a joint UNDP-SIDA initiative which seeks to advance socially equitable, environmentally sustainable and economically efficient management of water resources) will contribute its expertise toward achieving the goal of this project. With country presence and through its network of technical staff, in addition to operational expertise in designing similar GEF Council approved projects in Niger, Kenya, Mozambique, Zimbabwe, Namibia, and Ethiopia including GEF-CEO approved LDCF projects in Eritrea and Niger, UNDP is well positioned to assist Cape Verde to conceptualize and implement the proposed project.

The UNDP CO enjoys strong, productive working relationships with the project partners at local and national level in the country. The UNDP CO is also implementing two other climate change projects (mentioned above), leading to strengthened coordination and economies of scale.

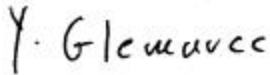
PART III: APPROVAL/ENDORSEMENT BY OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT(S) ON BEHALF OF THE GOVERNMENT:

(Please attach the country endorsement letter(s) or regional endorsement letter(s) with this template).

<p><u>OFP Endorsement:</u> Maria Ivone Andrade Lopes Director General of Environment Ministry of Environment, Agriculture and Fisheries National Directorate for the Environment</p>	<p>Date: December 19, 2007</p>
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B. AGENCY(IES) CERTIFICATION

<p>This request has been prepared in accordance with GEF policies and procedures and meets the LDCF/SCCF criteria for project identification and preparation.</p>	
<p> Yannick Glemarec Executive Coordinator UNDP/GEF</p>	<p>Project Contact Persons: Fabiana Issler, Regional Technical Advisor for Biodiversity, West Africa and Tom Twining-Ward, Regional Technical Advisor for CC-A, West Africa (through Bo Lim, Principal Technical Advisor) UNDP/EEG/Climate Change Adaptation Unit</p>
<p>Date: December 27, 2007</p>	<p>Tel. and email: fabiana.issler@undp.org and tom.twining-ward@undp.org</p>