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OPERATIONAL GUIDELINES FOR THE STRATEGIC PRIORITY

“PILOTING AN OPERATIONAL APPROACH TO ADAPTATION” (SPA)

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1. The objective of the United Nations Framework Convention on Climate Change (UNFCCC) is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt to climate change, ensure that food production is not threatened and enable economic development to proceed in a sustainable manner”(Article 2). The GEF Operational Strategy states that “The overall strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and adaptation activities in eligible recipient countries” (GEF Operational Strategy, p 31). Initially, the GEF provided support for Stage I adaptation activities undertaken in the context of the formulation of National Communications to the UNFCCC. Funding adaptation activities beyond this stage has been dependent upon UNFCCC guidance.

GUIDANCE

2. At the 7th Conference of the Parties (COP) of the UNFCCC in 2001, the GEF was requested to provide financial resources for “establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and may be integrated into national policy and sustainable development planning on the basis of information provided in the national communications, or of in-depth national studies, including NAPAs and of the staged approach endorsed by the Conference of the Parties in its decision 11/CP.1”.¹

3. In response to this guidance, the GEF proposed the establishment of a Strategic Priority entitled “Piloting an Operational Approach to Adaptation (SPA)”. An initial allocation to the pilot of \$50 million was proposed in the GEF Business Plan in November 2003. The approach and initial operational guidelines of the SPA were illustrated in the document GEF Assistance to Address Adaptation, circulated to the GEF Council in May 2004.² The GEF Council welcomed the document and requested that the new strategic priority be implemented as early as possible. In financing adaptation activities, the GEF Secretariat and the Implementing Agencies were requested to ensure that “projects are consistent with the principles of the Trust Fund, including criteria concerning incremental costs and global environmental benefits”.

4. These guidelines are aimed at further clarifying the eligibility criteria for projects submitted under the SPA and at providing practical, operational advice to Implementing Agencies, Executing Agencies and project proponents. In addition, these guidelines seek to clarify the relationship between the SPA and the new funds, namely, the Least Developed Country Fund (LDCF) and the Special Climate Change Fund (SCCF) which were not fully operational when the GEF document GEF Assistance to Address Adaptation was released.

OBJECTIVE OF THE SPA

¹ UNFCCC Decision 6/CP.7

² GEF/C.22/Inf.8/Rev.1

5. The objective of this strategic priority is to reduce vulnerability and to increase adaptive capacity to the adverse effects of climate change in the focal areas in which the GEF works. The proposed adaptation measures should be identified in vulnerability and adaptation (V&A) assessments and prepared using a rigorous scientific approach consistent with best practice as represented by recognized international authorities, peer-review processes and peer-reviewed publications.

6. As endorsed by the GEF Council, the SPA will support pilot and demonstration projects that address local adaptation needs and generate global environmental benefits in the GEF focal areas: biological diversity, climate change, international waters, land degradation, ozone layer depletion,³ and persistent organic pollutants (POPS). Projects that generate both local (development-focused) and global benefits will be eligible under the SPA if their benefits are considered to be primarily global in nature. If the project's focus is primarily on benefits in development sectors—such as health, agriculture, water or infrastructure—the proposed projects will have to access GEF funding through the new funds established under the climate convention: the Least Developed Country Fund (LDCF); the Special Climate Change Fund (SCCF), and eventually the Adaptation Fund (AF).⁴

7. The need to promote integration between the Climate Change, Biodiversity and Desertification Conventions has been endorsed by Parties, the Convention Secretariats, and numerous scientific bodies. In the GEF context, synergies among Conventions imply the need for integration between GEF focal areas. Adaptation to climate change offers a unique concrete opportunity to test these linkages at the operational level, filling the gap between the regimes created by the Conventions and the reality on-the-ground.

8. Because the SPA was created as a pilot to test the outline of potential future operational directions, SPA projects will place special emphasis on the opportunities for structured learning and capacity building through implementing measures that respond to climate change risks.

Scope

9. The global benefits required for adaptation activities under the SPA may be generated in any one of the focal areas supported by the GEF, or even in a combination of focal areas. In each focal area, a number of priority topics for intervention have emerged. These topics, together with the definition of global benefits used in the focal area, are listed below.

Biodiversity

³ However, few, if any, project proposals are expected in this focal area, except possibly addressing issues relating to methyl bromide.

⁴ *Adaptation Fund* (AF): established after the entry into force of the Kyoto Protocol, which directs that 2% of the share of the proceeds from Clean Development Mechanism (CDM) projects be placed in a fund for adaptation.

10. In the biodiversity focal area, global environmental benefits include the reduced risks of global biodiversity loss; the enhanced protection of ecosystems and the species they contain; and increased sustainability in the use of biodiversity components.⁵ Priority areas of management concern vis a vis adaptation to climate change include coral reefs, forests, and integrating climate change adaptation measures into protected area systems, particularly those found in highly vulnerable regions and ecosystems.⁶

11. An example of an important protected area in a highly vulnerable region is the case of the Sundarbans mangrove ecosystem, located in coastal India and Bangladesh, over the northern part of the Bay of Bengal. The Sundarbans ecosystem is home to a large number of endangered species at risk of extinction and has been identified by the IPCC as highly vulnerable to the adverse effects of climate change. SPA resources could be utilized to assist the stakeholders involved in managing the Sundarbans National Park in India and/or the Sundarbans Wildlife Reserve and World Heritage Site in Bangladesh in assessing vulnerability and identifying and implementing measures to reduce vulnerability and increasing adaptive capacity to climate change.

Climate Change

12. In the climate change focal area, global environmental benefits are considered to be produced when GHG emissions are reduced or avoided. This normally takes place through improvements in energy efficiency; generation of electricity from renewable sources; or reduction in emissions from transportation. A priority of concern would be fluctuations and changes in hydrological resources, and their implications for future GHG emissions.

13. An example of how the delivery of global environmental benefits in the climate change focal area might vary due to climate change itself can be found in the case of some regions, such as East Africa, where the electricity supply is heavily dependent upon hydro-electric generation. A pattern of climate change demonstrating a consistent pattern of increased drought would lead to a decrease in the ability of the utilities in the region to generate electricity from hydro. If no action is taken, they would have to increase electricity generation from fossil fuels (and therefore, GHG emissions) in order to meet their electricity demands. An adaptation project in this sector might first analyze the existence and scope of the problem and then, seek to supplement the disappearing hydro-electric generation potential with other renewable resources to avoid the projected increase in GHG emissions.

Land Degradation

⁵ From GEF Operational Strategy. The CBD expresses the Parties' concern that biological diversity is being significantly reduced by certain human activities and notes that it is vital to anticipate, prevent and attack the causes of significant reduction or loss of biological diversity at source.

⁶ Houghton et al [Edts]: IPCC TAR, WG II Impacts of climate change provide a listing of such highly vulnerable regions and ecosystems.

14. In the land degradation focal area, incremental global environmental benefits are achieved by accelerating country-driven actions on sustainable land management to preserve, conserve and restore the structure and functional integrity of ecosystems; reduce carbon dioxide emissions and improve carbon sequestration; or stabilize sediment storage and release in water-bodies. (Land Degradation)⁷ An important priority in the land degradation focal area is the integration of climate change risk into sustainable land management planning in Africa, as the most vulnerable region with respect to land degradation, and desertification.

15. An example of this type of intervention would be a project that seeks to alter land-use and agricultural policies in the marginal, agricultural lands of eastern Africa to take into account intensified El Nino and La Nina phenomena as well as the increased drought-related stress brought on by climate change.

International Waters

16. Global environmental benefits in the international waters focal area accrue when transboundary concerns regarding international waters are satisfactorily addressed. These priority concerns are included in strategic action programmes (SAPs) based upon the analysis presented in the transboundary diagnostic analyses (TDAs). International Waters projects may include support to physical habitat restoration in coastal and marine areas, lakes, and watercourses (e.g. wetlands, mangroves, estuaries, coral reefs); strengthening joint management of shared living aquatic resources and the basins within which they reside; reducing transfer of aquatic invasive species; reducing transboundary and land-based sources of pollution; and balancing competing water uses through support to integrated land and water management including through IWRM;⁸ as well as through integrated coastal zone management (ICZM) as a tool for sustainable use and/or remediation of coastal 'hot spots'. Adaptation components can be integrated within existing efforts to address multiple stresses on water bodies and basins and their use.

17. Example projects might include:

- (a) Strengthening institutional management of shared freshwater and living resources through development of predictive and decision support tools for adapting to climate-induced alterations in regional hydrological processes;
- (b) Improving management of shared living marine resources through improved predictive capacity for climate change and its impacts on coastal upwelling,

⁷ Land Degradation is defined as any form of deterioration of the natural potential of land that affects ecosystem integrity either in terms of reducing its sustainable ecological productivity or in terms of its native biological richness and maintenance of resilience.

⁸ The GEF's objective in the international waters focal area is to contribute primarily as a catalyst to the implementation of a more comprehensive, ecosystem-based approach in managing international waters and their drainage basins as a means to achieve global environmental benefits.

nutrient supply and associated primary and secondary productivity and fisheries yields; and

- (c) Improving SIDS capacities for management of critical surface and groundwater resources impacted by sea level rise and droughts.

Persistent Organic Pollutants (POPs)

18. Global benefits in the POPS Focal Area are defined as the reduction and elimination of releases of POPs in order to protect human health and the environment. POPs projects seek to reduce the risk of ecosystem and human exposure to POPS. For example, one priority area for intervention has to do with the phase-out of DDT as part of malaria control programs. Without considering climate change, the boundaries of the malaria endemic areas will be fixed and projects to use alternatives to DDT can target known malarial regions. With the onslaught of global warming, malaria-infested areas will likely expand. In order to be successful in the face of climate change, such DDT phase-alternative projects will have to take into account the expanded malarial regions.

19. At the portfolio level, it is expected that the largest number of projects will be supported in the Biodiversity focal area, due to the high vulnerability of ecosystems, as reported by the IPCC TAR⁹. Significant potential for targeted adaptation interventions also exists in the area of Land Degradation. Adaptation interventions combined with climate change and energy policies may provide a relevant example of mitigation and adaptation. A number of opportunities are expected in the International Waters focal area, due to strong linkages between climate change and regional hydrological processes, and between climate change and both vertical and horizontal oceanic circulation patterns. Fewer projects are expected to be implemented in conjunction with POPs phase-out programs.

20. Although the SPA offers a concrete opportunity to test integration among focal areas and multilateral environmental agreements (MEAs), multiple benefits across focal areas are desirable but not required to access funding under this pilot.

Scientific Approach and Existing Methodologies

21. Because adaptation to climate change is a relatively new challenge in the international arena, capacity, knowledge, and experience to address adaptation needs is limited. One author uses the term “adaptation deficit,”¹⁰ to refer to this situation in which available measures (are) not used or not used enough under conditions of current climate variability and ongoing changes. In many situations today extreme climate events and variability cause losses and damage to the economy, the society and the environment. This loss could be significantly reduced by the improved deployment of adaptation measures. Reduction of the adaptation deficit is a social objective that points to the needs to implement adaptation measures. Reducing this deficit,

⁹ Houghton et al [Ed.]: IPCC TAR, WG II Impacts of climate change

¹⁰ Ian Burton: *Moving forward on adaptation: a big challenge and many opportunities*, in session Workshop on Adaptation, UNFCCC SBSTA, May 2005, Bonn (Germany)

however, will require not only the integration of existing climate risks into planning and development as a first step, but also an increase in the collective knowledge about how this should best be accomplished. A better understanding of adaptation needs and responses should enable society at all levels to better adapt to anticipated climate change. Projects supported under this adaptation pilot are expected to contribute to an improved understanding of adaptation at the ground level. This will be possible only if they are first prepared using best practice scientific approaches and methodologies.

22. Projects submitted under the SPA must therefore build upon or incorporate a rigorous methodology to assess climate change vulnerability, identify adaptation measures and integrate them into policy planning, as well as generate global environmental benefits. A scientifically credible approach will ensure that the project effectively addresses climate change vulnerability and provides value added to existing GEF-supported activities in all focal areas. It will also reduce the risk of the project actually contributing to maladaptation and to making the systems involved less resilient in the face of climate change.

23. Projects must demonstrate a structured, methodological approach to the identification of climate vulnerability and appropriate response measures in two steps. First, projects under the SPA will need to address the critical vulnerabilities identified in the vulnerability and adaptation assessments support under initial and subsequent national communications (Stage I adaptation) or in relevant International Waters issue analysis and priority setting processes (TDA/SAP) where climate vulnerability emerges as a priority. Second, projects will have to demonstrate that they have been prepared in a manner that is consistent with accepted methodologies for assessing vulnerability and planning adaptation. These methodologies all involve assessing current vulnerability; assessing likely future risks; formulating a strategy based upon past and likely future activities; engaging stakeholders; and initiating a long-term plan. While the first step serves to ensure that the most pressing adaptation needs are addressed, the second step acts as a safeguard to ensure that the adaptation activities proposed for support have been carefully screened, evaluated, and considered to be “best-practice” options in light of current scientific understanding and knowledge.

Incremental reasoning

24. Adaptation to climate change starts with an understanding of coping strategies for dealing with the extremes evidenced in current climate variability. Often times, it will be operationally impossible to attribute a given extreme to climate variability or climate change. As a result, GEF will support adaptation measures under this pilot aimed at coping with current variability as well as climate change.

25. The SPA is supported by funds from the GEF Trust Fund. As the level of GEF contribution must be determined following the principles of incremental cost reasoning, they will be directly proportional to the generation of global environmental benefits. Under this pilot, projects will fund the incremental cost of the adaptation activities that ensure the delivery or protection of global environmental benefits in all of the focal areas in which GEF works.

26. Consistent with GEF operation criteria, project proponents are expected to outline first a baseline scenario. This baseline scenario may represent a “business-as-usual” wherein the country undertakes only those activities considered to be in its baseline development planning. Beyond the baseline scenario, an alternative GEF scenario should be constructed to include activities that, in the absence of global warming, would be expected to produce the desired global environmental benefits. However, to this scenario should be added activities to be funded under the SPA that will ensure the robustness of those global environmental benefits by improving the resilience of the systems concerned. The difference between relative costs associated with the baseline scenario and the alternative scenario are the incremental costs. Only those costs associated with the second part of the alternative scenario—those necessary to ensure the robustness of the global environmental benefits—will be funded from the SPA. The cost associated with the first part of the alternative scenario—those necessary to deliver the global benefits in the absence of global warming—will be funded from the focal area allocations of the GEF Trust Fund.

27. The above description highlights the fact that conceptually, projects under the SPA will have a “double increment.” For example, in the case of the management of a protected area (PA), in addition to the incremental cost to address root causes of biodiversity loss due to current stresses, a second incremental cost is considered to assess vulnerability to climate change of the ecosystems included in the PA, identify adaptation options, and implement them. This additional intervention, and the associated costs, will significantly increase the long-term sustainability of the PA project and will provide useful lessons to be replicated throughout the vast PA portfolio of the GEF. In this way, the lessons of the SPA can be “mainstreamed” into GEF focal area work. The project will likely include a “package” of activities that increase resilience to climate-related stresses and adverse impacts combined with other activities that need to be implemented to address current (not necessarily climate-related) stresses that cause biodiversity loss. Consequently, the incremental costs for SPA projects might be expected to be proportionally higher than for more traditional (non-SPA) GEF projects. In practice, the “double-increment” associated with the GEF project scenarios will be blended into a single grant.

28. In practice, it will be sufficient to separate the baseline from the alternative scenario, and to make a strong case, based on a solid scientific methodology, that viewed in toto, the alternative scenario increases the resilience to climate change and thereby ensures the generation of global benefits in the focal area under consideration.

OUTPUTS

29. The outputs of projects approved under the SPA will be enhanced adaptive capacity, reduced vulnerability to the adverse effects of climate change, and projects that ensure the delivery of the targeted global environmental benefits in the face of climate change impacts. A successful project is one where:

- (a) climate change adaptive capacity has been built and vulnerability to the adverse impacts of climate change has been reduced; and

- (b) the delivery of global environmental benefits in the face of climate change has been strengthened, through one of the following:
 - (i) Conservation, sustainable use, and/ or more equitable sharing of biodiversity;
 - (ii) Reduction of greenhouse gas emissions;
 - (iii) Management of transboundary water resources has been strengthened;
 - (iv) Reduction of land degradation through sustainable land management; or
 - (v) Sustainable elimination of POPs or ODS use.

30. Outputs will be monitored and indicators developed and evaluated on a project-by-project basis, consistent with the scientific and operational methodology utilized to develop the initial vulnerability and adaptation assessment. The framework to be used for the indicators will vary per focal area. Outputs will be monitored by a double set of key indicators that measure progress addressing adaptation and at the same time generating global environmental benefits. Indicators will be defined on a project-by-project basis, but will be consistent with the practice of the primary focal area in which the project is being proposed.

31. Several assumptions underlie the operations within the SPA. The first is the assumption that global warming has already begun occurring and that all countries with vulnerabilities will need to begin adapting to it. This assumption is consistent with the latest conclusions of IPCC's work which finds that climate change is already evident and much of it is human-induced. A second assumption is that the delivery of global benefits in all focal areas will be placed at risk by climate change. This is also consistent with the scientific record. A third assumption is that the proposed GEF project interventions will be able to improve the ability of the local systems to adapt to the anticipated climate changes. Consequently, projects under the SPA will need to target only those interventions in which GEF support can be most effective. Finally, must be assumed that the conclusions and experiences of the SPA will be readily visible and available to inform future GEF programming. Monitoring, evaluating and sharing the experiences gleaned under the SPA is consistent with GEF's role as a "learning" institution, and should form a critical component of all SPA initiatives.

GEF-SUPPORTED ACTIVITIES

32. As the SPA provides the opportunity to test integration and synergies among GEF focal areas and their relevant conventions, the SPA will give priority to activities that will promote these synergies. However, as it is a first-of-its-kind activity supporting interventions not previously considered by the GEF or other donors, it is difficult to anticipate with complete certainty the types of activities to be supported and proposed.

33. As with all GEF projects, the eligibility criteria of country-drivenness; incremental costs for global environmental benefits; replicability; sustainability; and stakeholder involvement will

have to be met. Because of the newness of all of the work in adaptation to climate change and the relative uncertainties involved, special attention will be paid to the scientific methodological approach used to identify and refine the project approaches being proposed.

STAKEHOLDER INVOLVEMENT

34. Stakeholder involvement is expected to be an especially critical component of successful adaptation projects to be funded by the GEF. Evidence of a stakeholder involvement plan will have to be demonstrated at the time of pipeline entry. Final project designs are expected to result from stakeholder consultations, which will also be expected to continue throughout the project's lifetime. Given the uncertainties and risks involved in adaptation efforts, stakeholder involvement will serve as an additional safeguard against the possibility of supporting maladaptive initiatives.

OUTCOME

35. A successful outcome of the SPA will be increased adaptive capacity and reduced vulnerability to the adverse impacts of climate change throughout the GEF portfolio. This outcome will be essential to the GEF's continued successful programming in the years to come, as the onset of global warming becomes more apparent. Indicators that this outcome is being achieved will be the development of knowledge, information, and experience about how best to ensure the delivery of global environmental benefits in the face of accelerated climate change, and the expanded range of successful response options deployed in the focal areas in which the GEF works.

RESOURCES

36. The initial contribution for the SPA under GEF3 was \$50 million with an allocation of \$5 million for community-based adaptation interventions and activities. The allocation of \$50 is expected to be divided into \$20 million to projects that will be proposed in GEF3 and \$30 million to projects in GEF4.

EVALUATION AND LESSONS LEARNED

37. The SPA will provide the GEF and its partners with the opportunity to implement and learn about adaptation within a wide scope, thereby providing valuable lessons and guidance for the international community as it assists developing countries to adapt to the impacts of climate change. The GEF will use experience from the SPA to develop good practices and estimates of the costs of adaptation to better integrate climate change adaptation into the full range of GEF activities.

38. A knowledge management support program is already in place through the MSP Adaptation Learning Mechanism (ALM), coordinated by UNDP in collaboration with the GEF Secretariat and Implementing Agencies.

39. As suggested by the GEF Council, the experiences and results obtained during the pilot will be fully evaluated. Depending upon the outcomes and recommendations of this evaluation, several options for further support to adaptation exist. First, a new operational program may be designed to support adaptation under the GEF Trust Fund, including activities and objectives that complement and do not duplicate the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF). Second, future adaptation work might be mainstreamed into GEF focal area programming in the form of safeguard provisions. Third, the GEF adaptation efforts may be redesigned to continue as a separate funding window under future GEF replenishments. Although these options are neither mutually exclusive nor exhaustive, it should be anticipated that the adaptation to climate change will form a permanent part of future GEF programming following the completion of the SPA